

POLICY & ECONOMIC **REPORT**

OIL & GAS MARKET June 2026

Table of Contents

Executive Summary	3
Economy in Focus.....	8
Lessons from Economics.....	33
Oil Market	35
Crude oil price – Monthly Review	35
Indian Basket Crude oil price	37
Oil production situation	37
Oil demand situation.....	39
Global petroleum product prices	39
Petroleum products consumption in India	41
Natural Gas Market.....	43
Natural Gas Price – Monthly Review	43
Key developments in Oil & Gas sector.....	46
Key Policy developments/Significant news in Energy sector	47

List of Figures & Tables

Figure 1: Global Real GDP Growth (% change)	9
Figure 2: Growth Outlook for Selected Emerging Market Economies (2025–2026)	11
Figure 3: Global Consumer Price Inflation (% Annual Change)	12
Figure 4: Global Headline and Core CPI Inflation.....	12
Figure 5: Global Trade Growth Outlook (2025–2028)	13
Figure 6: Composite PMIs, by impact of conflict in the Middle East	14
Figure 7: Flash Composite PMI Output Indicators for G4 Advanced Economies (US, UK, Eurozone & Japan)	14
Figure 8: U.S. AI- and Technology-Related Imports (12-Month Rolling Sum), 2016–2026	16
Figure 9: Potential Economic and Sectoral Impacts of El Niño Across Selected Emerging Market Economies	18
Figure 10: Trends in CPI (General) and Consumer Food Price Inflation (CFPI), April–May 2026.....	22
Figure 11: Inflation Rates Across Major CPI Groups (May 2026).....	22
Figure 12: WPI Index and Inflation Rate for All Commodities	23
Figure 13: Output PPI for All Commodities.....	24
Figure 14: HSBC India Composite PMI Output Index and GDP Growth (2013–2026)	25
Figure 15: HSBC India Manufacturing PMI.....	26
Figure 16: Total Trade during May 2026.....	28
Figure 17: Benchmark price of Brent, WTI and Dubai crude	36
Figure 18: Indian crude oil basket price in \$ per bbl.....	37
Figure 19: Refining Margins (\$/bbl)	40
Figure 20: Singapore crack Spreads vs. Dubai (\$/bbl)	40
Figure 21: Global natural gas price trends (\$/mmbtu)	44
Figure 22: Domestic natural gas price June'25–26 (\$/mmbtu)	45
Table 1: CPI & Consumer Food Price Inflation (CFPI) – Inflation Rates & Index Values (May & April 2026)	21
Table 2: Trade during May 2026	28
Table 3: Crude oil price in June, 2026	37
Table 4: Non-DoC liquids production in 2026, mb/d	38
Table 5: World Oil demand, mb/d	39
Table 6: Singapore FOB, refined product prices (\$/bbl) in May 2026	41
Table 7: Petroleum products consumption in India, May 2026 and Year till Date (YTD)	42
Table 8: Gas price, May 2026.....	44

Executive Summary

The global economy entered the second half of 2026 amid weakening growth momentum, heightened geopolitical tensions, persistent inflationary pressures, and tighter financial conditions. According to the World Bank, global growth is projected to moderate to **2.5 per cent in 2026**, the weakest pace outside recessionary periods since the Global Financial Crisis. Rising geopolitical risks, elevated energy prices, supply chain disruptions, and subdued investment continue to weigh on global economic activity, while persistent inflation and higher borrowing costs have constrained the pace of monetary policy easing across major economies.

Despite these challenges, structural drivers of long-term growth remain intact. Rapid advances in artificial intelligence, digital technologies, renewable energy, and clean energy investment are expected to enhance productivity and support future economic expansion. At the same time, increasing investment in semiconductors, critical minerals, data centres, and resilient supply chains is reshaping global production networks. However, climate-related risks, including the emergence of El Niño, together with elevated commodity prices and geopolitical uncertainties, continue to pose significant upside risks to inflation, food security, and energy markets.

Global manufacturing and business activity remained uneven during June 2026. Manufacturing activity demonstrated greater resilience than services across several advanced economies, supported by inventory rebuilding, technology-led investment, and relatively stronger domestic demand. The United States remained the strongest-performing major advanced economy, while business activity across Europe remained subdued. China maintained positive manufacturing momentum, although domestic demand and property sector challenges continued to moderate growth. Looking ahead, the pace of global recovery will depend on easing geopolitical tensions, stabilisation of energy markets, recovery in international trade, and sustained productivity-enhancing investments.

India continued to demonstrate remarkable macroeconomic resilience despite a challenging global environment characterised by elevated crude oil prices, slowing global trade, and geopolitical uncertainty. Supported by robust domestic demand, sustained public capital expenditure, resilient manufacturing and services activity, and sound macroeconomic fundamentals, India retained its position as the world's fastest-growing major economy. The World Bank projects India's economy to grow by **6.6 per cent** in FY 2026–27, with growth expected to strengthen further over the medium term as infrastructure investment, digital transformation, manufacturing expansion, and structural reforms continue to support economic activity.

Inflation remained broadly within the Reserve Bank of India's comfort zone despite renewed pressures from higher food and global energy prices. Consumer price inflation remained below the medium-term target, while the Reserve Bank of India maintained a calibrated monetary policy stance, balancing price stability with growth considerations. The Government also introduced the revised Wholesale Price Index (Base Year: 2022–23) together with a comprehensive Producer Price Index framework, strengthening India's statistical architecture for monitoring producer-side inflation and industrial cost dynamics.

India's manufacturing and services sectors continued to expand during June 2026, although the pace of growth moderated slightly amid softer demand conditions and rising input costs. Infrastructure-linked industries such as steel, cement, and electricity maintained healthy growth despite weakness in coal, crude oil, natural gas, and refinery production. India's external sector remained resilient, supported by comfortable foreign exchange reserves exceeding **US\$700 billion**, robust growth in merchandise and services exports, and continued diversification of export markets and products. Strong performance in engineering goods, electronics, chemicals, and services reinforced India's growing competitiveness in higher value-added exports.

The World Bank's **US\$1.5 billion** support for India's reform agenda is expected to strengthen private investment, employment generation, and productivity, while continued policy emphasis on digital infrastructure, manufacturing, logistics, and skill development is enhancing the country's long-term growth potential. India also emerged as one of Asia's fastest-growing green economies, driven by rapid expansion in renewable energy, sustainable manufacturing, and clean technology investment. At the same time, robust growth in foreign direct investment reflects sustained investor confidence in India's macroeconomic fundamentals, expanding industrial base, and ongoing structural reforms.

As far as oil and gas industry is concerned, an interim agreement between the United States and Iran aimed at ending the conflict in the Middle East could facilitate the reopening of the Strait of Hormuz and the removal of the U.S. blockade on Iranian oil exports. This marks the most significant breakthrough in negotiations since the onset of the conflict and has prompted a sharp decline in oil prices, which have fallen to their lowest levels since early March. Oil prices had already retreated from recent highs as market concerns eased, supported by a surge in Gulf exports at the beginning of June, accelerated strategic stock releases by the International Energy Agency (IEA), and weaker global demand. ICE Brent crude futures were trading at approximately US\$81 per barrel, representing a decline of US\$37 per barrel from the peak recorded in early April, although prices remained around US\$20 per barrel higher than at the beginning of the year.

Provided the agreement remains in force, oil production and exports from the Gulf are expected to recover gradually, particularly as Iranian crude exports are likely to resume in full following the lifting of the U.S. blockade. Shipments through the Strait of Hormuz had already increased significantly in early June, aided by ship-to-ship transfers in the Gulf of Oman, with total crude flows rising from a low of 9.6 million barrels per day (mb/d) in May to approximately 12 million barrels per day. Nevertheless, a full recovery is unlikely to be immediate. Maritime mines will need to be cleared from the principal shipping lanes, and regional supply chains will require time to return to normal operating conditions.

Hedge funds and other money managers cut their bullish positions in May in both Brent and WTI futures contracts, betting on easing geopolitical tensions in the Middle East and improving supply conditions. Speculators sold the equivalent of about 122 mb of oil in May, cutting their combined options and futures net long positions by 25% in ICE Brent, NYMEX WTI and ICE WTI contracts. Money managers also cut their net long positions in WTI in May. NYMEX and ICE WTI net long positions dropped by 17,335 lots, or 16.0%, between the weeks of 28 April and 26 May, to 91,163 contracts, according to the US Commodity Futures

Trading Commission (CFTC). The decrease in net long positions was driven by a decline in long positions of 24,377 lots, or 10.5%, to 208,014 contracts. During the same period, short positions fell by 7,042 lots, or 5.7%, to 116,851 contracts.

Crude spot prices declined in May amid expectations of improving prompt supply availability and softer refinery demand, particularly in Asia, where persistent refinery constraints weighed on spot market buying activity. Global refinery intake levels were nearly 7 mb/d below those observed in January and February. North Sea Dated and Dubai first-month prices dropped by \$13.60/b and \$4.27/b, m-o-m, respectively, to average \$107.80/b and \$101.29/b. However, WTI spot prices rose slightly, m-o-m, finding support amid an ongoing draw in US crude stocks, strong US crude exports, and firm US refinery intakes. WTI's first-month price rose by \$0.53/b, m-o-m, to average \$99.16/b.

Natural Gas spot prices at the US Henry Hub benchmark averaged \$2.94 per million British thermal units (MMBtu) in May 2026. Henry Hub's natural gas prices rebounded in May after three consecutive months of declines. They rose by 5.8%, m-o-m, on the back of higher LNG demand amid supply disruptions from the Middle East. Moreover, seasonal maintenance at several export terminals limited export capacity, adding upward pressure to prices. However, price gains were limited by higher storage levels amid the injection season. According to data from the US Energy Information Administration (EIA), average weekly underground storage rose by 16.2%, m-o-m. Prices were down by ~5.8%, y-o-y.

Overall, while the global economy continues to face considerable uncertainty arising from geopolitical tensions, energy market volatility, climate-related risks, and slowing investment, India's strong domestic demand, sound macroeconomic fundamentals, continued policy reforms, and expanding manufacturing and clean energy sectors position the country favourably to sustain high and inclusive economic growth over the medium term. Continued investment in infrastructure, technology, energy security, human capital, and climate resilience will remain critical to strengthening India's competitiveness and supporting its long-term development objectives.

Impact of economic factors on Oil & Gas sector in India

Domestic Production Trends

- The continued decline in domestic crude oil and natural gas production remains one of the key structural challenges facing India's oil and gas sector. According to Index of Eight Core Industries (ICI), during May 2026, crude oil production contracted by 4.6% year-on-year, while natural gas production declined by 4.9%, reflecting persistent weaknesses in the upstream segment.

The sustained decline in domestic hydrocarbon production has significant implications for India's energy security. As domestic output fails to keep pace with growing energy demand, the country becomes increasingly reliant on imported crude oil. The crude oil imports rose by 1.41% in May 2026 as against the same period last year. Higher import dependence exposes the sector to global crude oil price volatility, exchange rate fluctuations, and geopolitical disruptions affecting international energy supplies. It also increases India's energy import bill (crude oil imports amounted to USD 18.7 bn in May 2026 as against USD 10.3 bn in May 2025) and widens the merchandise trade deficit during periods of elevated international oil prices.

Industry Component	Weight in ICI	May 2026 Growth (YoY)
Petroleum Refinery Products	28.04%	-8.7%
Crude Oil	8.98%	-4.6%
Natural Gas	6.88%	-4.9%
Total Oil & Gas Sector	43.90%	Overall contraction

- In addition to lower upstream production, petroleum refinery output declined sharply by 8.7% in May 2026, with cumulative refinery production also contracting by 4.7% during April–May FY 2026–27. The decline in refinery production has affected the availability of petroleum products domestically, including year-on-year decline in production for May 2026 of petrol (-7.14%), diesel (-4.9%), ATF (-20%), and bitumen (-0.6%), and potentially also reducing export volumes. The petroleum exports declined from 5.6 MMT in May 2025 to 3.7 MMT in May 2026.

Impact of External sector developments on oil & gas sector

- Higher foreign exchange reserves strengthen energy security** - India's foreign exchange reserves of nearly US\$704 billion provide a strong buffer for financing crude oil and LNG imports, which account for a significant share of the country's import bill. These robust reserves:
 - Reduce external vulnerability arising from oil price shocks.
 - Support exchange rate stability, limiting the impact of rupee depreciation on crude import costs.
 - Enhance investor confidence in the energy sector by improving macroeconomic stability.

- Provide the RBI with greater flexibility to manage foreign exchange volatility during periods of geopolitical uncertainty.
2. **Strong petroleum product exports** - Petroleum product exports recorded the highest increase among the major export categories in value terms, rising by 55% from US\$ 5.44 billion in May 2025 to US\$ 8.42 billion in May 2026, supported by higher international crude oil prices and increased export realizations. This ensures continued competitiveness of Indian refiners in global markets.

Impact of Inflation

- Wholesale Price Inflation (WPI) for the Fuel and Power group skyrocketed to 30.33% in May 2026 (up from 24.89% in April). This surge is directly attributed to soaring international prices for crude petroleum, heavily driven by geopolitical tensions in the Middle East.
- Rising Input Costs: Because oil and gas are foundational inputs, these high prices are pushing up the Output Producer Price Index (PPI) for mining, quarrying, and manufacturing, indicating that oil-dependent industries are facing severe cost pressures. The newly introduced Output Producer Price Index (Output PPI) provides a broader measure of price movements from the producer's perspective and complements the Wholesale Price Index in assessing inflationary pressures across the production chain. The provisional Output PPI for All Commodities increased to 109.6 in May 2026 from 108.6 in April.
- The Reserve Bank of India (RBI) cited rising international crude oil prices and "imported inflation" as primary risks to the economy. To counter the exchange rate pressures and potential inflation spikes caused by high oil import bills, the RBI maintained a cautious approach, keeping the policy repo rate steady at 5.25%.

Economy in Focus

1. A snapshot of the global economy

Global Economic Outlook

Heading into the second half of 2026, the global economy will face weakening growth momentum, persistent geopolitical uncertainty, elevated trade tensions, and tighter financial conditions. According to the World Bank's Global Economic Prospects (June 2026), global GDP growth is projected to moderate to 2.5 % in 2026 from 2.9 % in 2025, reflecting weakening investment, subdued productivity growth, slowing international trade, and elevated uncertainty. The report notes that this would represent the weakest pace of global growth outside periods of recession since the global financial crisis.

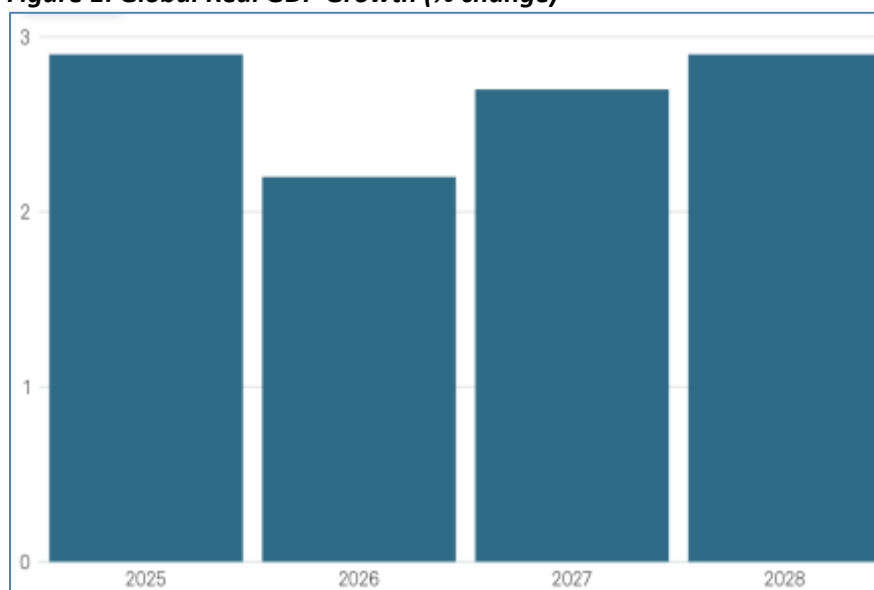
The deterioration in the global outlook has been reinforced by rising geopolitical risks, elevated energy prices, and disruptions to global supply chains and maritime trade routes. These developments have increased production and transportation costs, constrained business investment, and added inflationary pressures across both advanced and emerging economies. While inflation has eased from its post-pandemic peak, it remains above central bank targets in several countries, limiting the scope for monetary policy easing and keeping global borrowing costs relatively elevated.

Financial conditions also remained challenging during the period. The Asian Development Bank (ADB), in its Asia Bond Monitor (June 2026), highlighted that heightened global uncertainty, volatile capital flows, and higher sovereign bond yields continue to weigh on emerging financial markets. Tighter financing conditions and increased market volatility have reduced investment appetite and heightened external vulnerabilities, particularly for energy-importing and highly indebted developing economies.

Despite these headwinds, structural drivers of long-term growth remain intact. The World Bank identified digital transformation, artificial intelligence, and technological innovation as important catalysts for future productivity gains, while the Tracking SDG7: The Energy Progress Report 2026 highlighted continued global progress in renewable energy deployment, energy efficiency, and clean energy investment. These trends underscore the growing importance of energy security and sustainability in shaping economic resilience and future growth. Nevertheless, the pace of progress remains insufficient to achieve global sustainable development and climate goals, reinforcing the need for accelerated policy reforms, investment, and international cooperation.

The World Bank also highlighted that weak investment growth continues to constrain the global recovery. Private investment remains below historical averages across many economies, reflecting elevated borrowing costs, persistent policy uncertainty, and subdued business confidence. Slower capital formation is expected to weigh on productivity, infrastructure development, and medium-term growth prospects, particularly in emerging and developing economies where investment remains critical for supporting industrialization, energy transition, and sustainable economic development.

Figure 1: Global Real GDP Growth (% change)



Source: S&P Global Market Intelligence

Growth Forecast - Advanced Economies

Advanced economies are expected to witness slower economic growth in 2026 as elevated energy prices, persistent inflationary pressures, tighter financial conditions, and heightened geopolitical uncertainty continue to weigh on investment, industrial activity, and consumer spending.

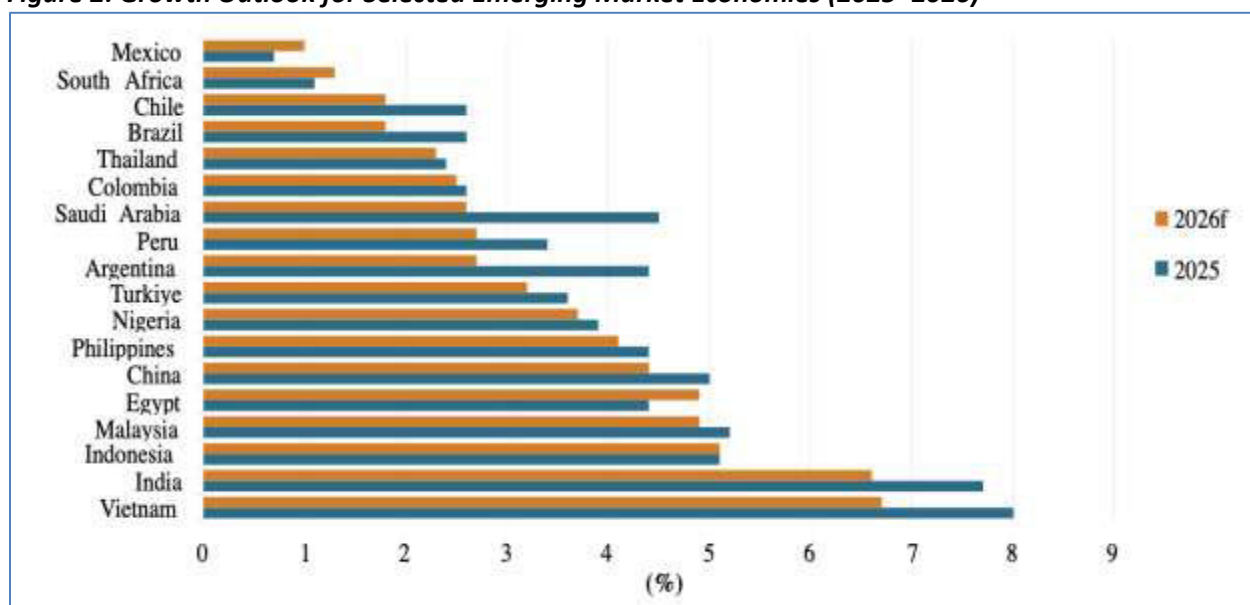
- **United States:** Growth is projected to moderate from 2.8 % in 2025 to 2.2 % in 2026, reflecting the impact of elevated energy prices, tighter financial conditions, and persistent policy uncertainty. Resilient private consumption, continued investment in artificial intelligence and advanced technologies, and fiscal support are expected to underpin economic activity. Growth is projected to moderate further to 2.1 % during 2027–28.
- **Euro Area:** Growth is projected to slow from 1.2 % in 2025 to 0.8 % in 2026, reflecting higher energy prices, subdued domestic demand, weak industrial activity, and tighter financial conditions. Growth is expected to recover modestly to 1.3 % during 2027–28, supported by easing inflation, improving investment, and a gradual recovery in trade.
- **Japan:** Growth is projected to moderate from 1.1 % in 2025 to 0.7 % in 2026, owing to weaker external demand, slower private consumption, and higher energy import costs. Growth is expected to improve modestly to an average of 0.8 % during 2027–28, supported by stronger wage growth and domestic demand.
- **United Kingdom:** Growth is projected to remain subdued at 1.0 % in 2026, reflecting weaker investment, elevated borrowing costs, and persistent inflationary pressures. Growth is expected to strengthen to 1.4 % during 2027–28 as inflation moderates and financial conditions gradually improve.

Growth Forecast - Emerging Market and Developing Economies

Emerging Market and Developing Economies (EMDEs) are expected to continue outperforming advanced economies despite a moderation in growth. Domestic demand, public investment, and structural reforms are expected to support economic activity, although higher commodity prices, tighter global financial conditions, geopolitical tensions, and weaker external demand continue to pose downside risks. Growth prospects vary considerably across regions, reflecting differences in energy exposure, fiscal capacity, and domestic policy responses.

- **Emerging Market and Developing Economies (Overall):** Growth is projected to moderate from 4.0 % in 2025 to 3.6 % in 2026, reflecting weaker global demand, elevated energy prices, tighter financial conditions, and persistent geopolitical uncertainty. Growth is expected to recover to 4.2 % during 2027–28 as global trade and investment gradually strengthen.
- **China:** Growth is projected to moderate to 4.2 % in 2026, reflecting subdued consumer confidence, continued adjustment in the property sector, and weaker external demand. Policy support, together with continued expansion in advanced manufacturing and technology sectors, is expected to sustain economic activity, with growth averaging 4.3 % during 2027–28.
- **India:** S&P Global projects India's real GDP growth will slow to **6.6%** for the fiscal year ending March 2027. This aligns with the Reserve Bank of India's (RBI) current estimates. India's slowdown is heavily driven by supply-side shocks. Being dependent on imports for 88% of its crude oil needs, geopolitical tensions in the Middle East have severely escalated India's import bills. Concurrently, El Niño has weakened the monsoon, creating an early rainfall deficit that risks hurting agricultural production. India is expected to stage a healthy recovery in FY28, with GDP growth bouncing back to 7.2%.
- **Commodity-exporting EMDEs:** Growth is projected at 2.4 % in 2026, reflecting disruptions to energy production and exports in parts of the Middle East, together with weaker global demand. Growth is expected to recover to 3.4 % during 2027–28 as energy markets stabilize, reconstruction efforts progress, and export conditions improve.
- **Commodity-importing EMDEs (excluding China):** Growth is projected to moderate to 4.1 % in 2026, reflecting higher energy import costs and tighter financial conditions that weigh on investment and consumption. Growth is expected to strengthen to 4.8 % during 2027–28, supported by easing inflation, improving investor confidence, and recovering global trade.

Figure 2: Growth Outlook for Selected Emerging Market Economies (2025–2026)



Source: Haver Analytics and S&P Global Ratings.

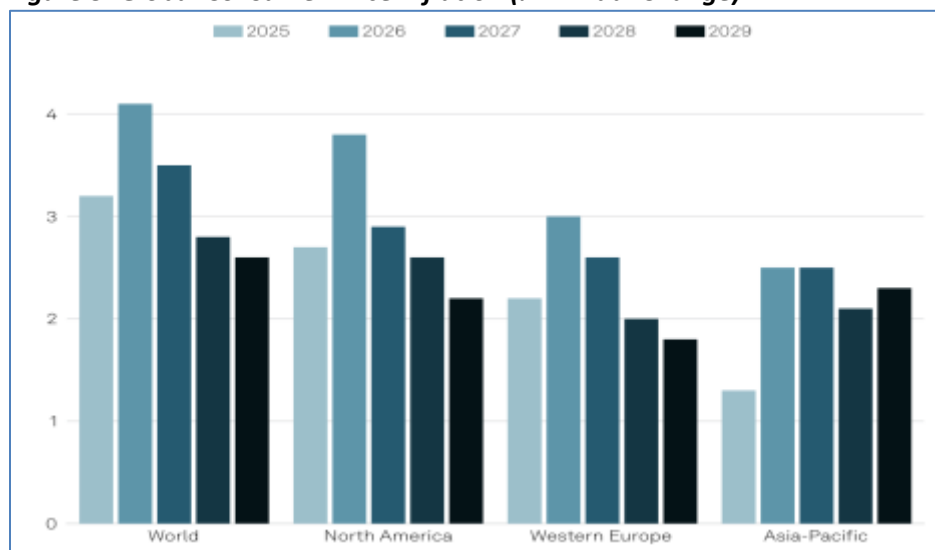
Among major emerging economies, India and Vietnam are expected to remain the fastest-growing economies in 2026, while growth is projected to moderate across several commodity-dependent and externally vulnerable economies amid persistent inflationary pressures and tighter financial conditions.

Global Inflation Trends

Global inflation continued to moderate during the first half of 2026, reflecting the cumulative impact of tighter monetary policies and easing food price pressures across several major economies. However, inflationary risks remain elevated as geopolitical tensions, higher energy prices, trade disruptions, and supply chain constraints continue to exert upward pressure on production and transportation costs. According to the World Bank, although headline inflation is expected to decline gradually, the pace of disinflation is likely to remain uneven across regions due to persistent external shocks and policy uncertainty.

Energy prices continue to be the principal driver of global inflation risks. Renewed geopolitical tensions in the Middle East have increased uncertainty in global oil and gas markets, contributing to higher fuel prices and freight costs. These developments have raised input costs for manufacturing, transportation, and logistics while also increasing inflationary pressures for energy-importing economies. The World Bank cautioned that any prolonged disruption to global energy supplies or key maritime trade routes could delay the return of inflation to central bank targets.

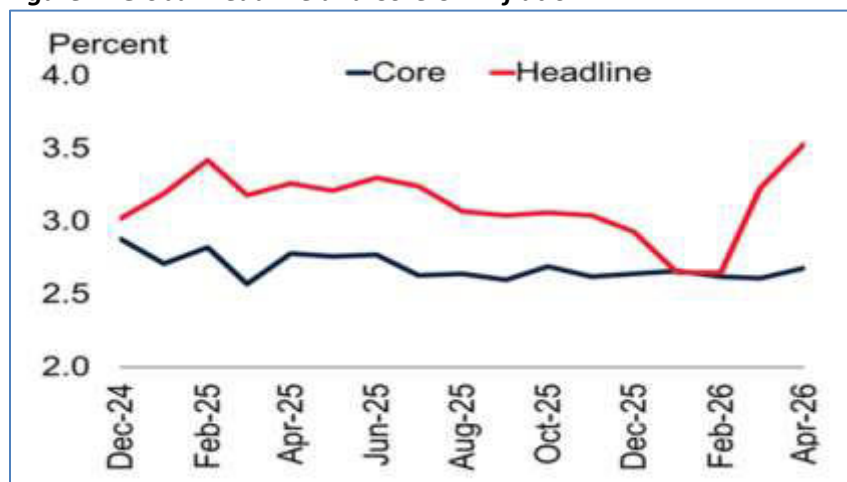
Figure 3: Global Consumer Price Inflation (% Annual Change)



Source: S&P Global Market Intelligence

The Asian Development Bank noted that inflationary pressures across developing Asia remain relatively contained compared with previous years; however, tighter global financial conditions, currency depreciation, and volatile capital flows continue to pose upside risks. Higher interest rates have also increased borrowing costs, limiting investment and economic activity across several emerging economies.

Figure 4: Global Headline and Core CPI Inflation



Source: Bloomberg; Consensus Economics

Core inflation has proved more persistent than headline inflation in several advanced economies, reflecting resilient services inflation and elevated wage growth.

Global Trade and Supply Chains Face Continued Realignment

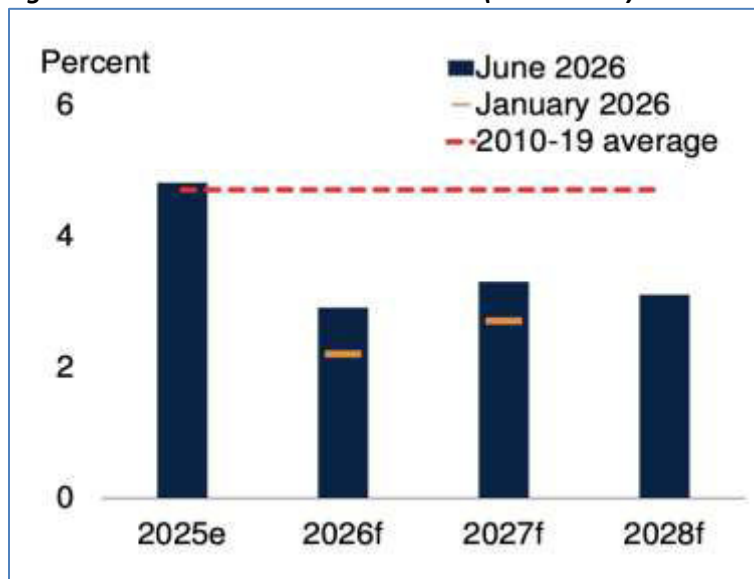
Global trade and supply chains continued to undergo significant realignment during the first half of 2026 as geopolitical tensions, evolving trade policies, and supply chain diversification strategies reshaped international production and investment patterns. According to the World Bank and S&P Global, while

global goods trade has remained relatively resilient, trade growth is expected to moderate amid weaker external demand, elevated shipping costs, and continued uncertainty surrounding global trade policies. Businesses across several sectors have increasingly adopted supply chain diversification strategies aimed at reducing dependence on single-country sourcing and improving resilience against future disruptions.

The reconfiguration of global value chains has accelerated investment in strategic sectors such as semiconductors, critical minerals, clean energy technologies, and advanced manufacturing. Governments and multinational corporations are increasingly pursuing “friend-shoring”, “near-shoring”, and supply chain diversification initiatives to strengthen economic security and reduce vulnerabilities arising from geopolitical risks. At the same time, continued investment in digital technologies, automation, and artificial intelligence is improving supply chain efficiency, although higher logistics costs and persistent trade barriers continue to weigh on international commerce.

Recent assessments by UNCTAD indicate that geopolitical tensions have increasingly overtaken trade policy as the principal source of risk to the global economy. While tariff-related uncertainties remain important, disruptions to energy markets, strategic maritime routes, and critical supply chains are now exerting a greater influence on trade, investment, and business confidence. The growing fragmentation of global commerce is reinforcing the need for diversified supply chains, resilient infrastructure, and closer international cooperation to sustain long-term economic growth.

Figure 5: Global Trade Growth Outlook (2025–2028)



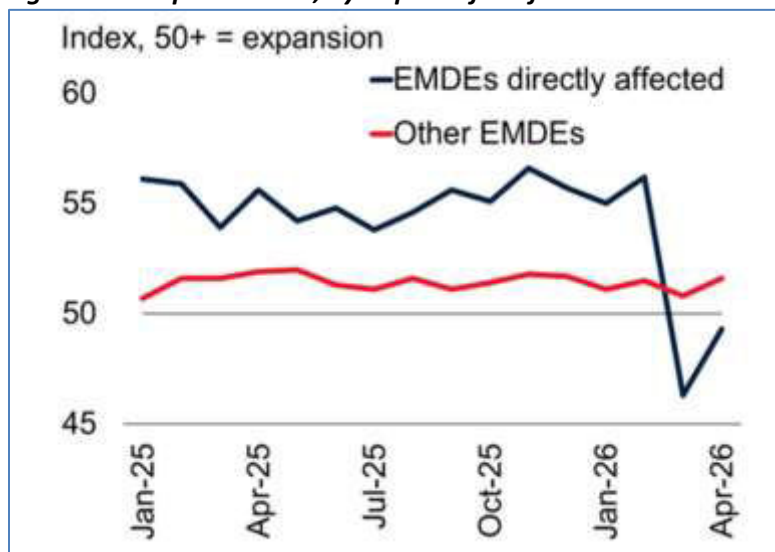
Source: Haver Analytics; UN Comtrade; World Bank (“e” stands for estimate; “f” stands for forecast)

Global Manufacturing and Business Activity

Global manufacturing and business activity remained uneven during June 2026 as geopolitical tensions, elevated energy prices, persistent inflationary pressures, and tighter financial conditions continued to influence business sentiment across major economies. According to the latest S&P Global Flash PMI

surveys, manufacturing activity generally remained more resilient than services, supported by inventory rebuilding, technology-led investment, and relatively stronger domestic demand in selected economies. However, businesses continued to face uncertainty arising from geopolitical risks, slowing global trade, and higher production costs, resulting in divergent growth patterns across regions.

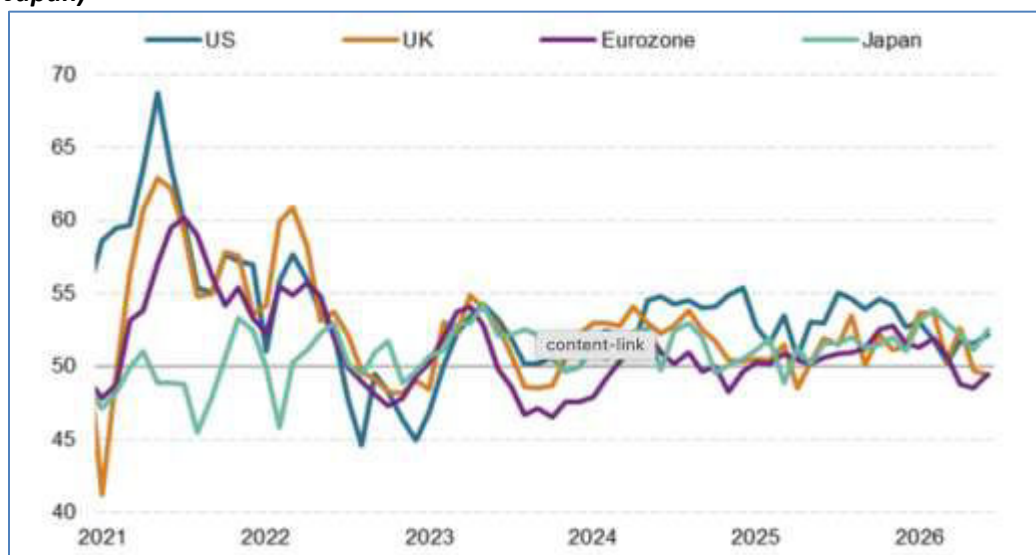
Figure 6: Composite PMIs, by impact of conflict in the Middle East



Source: Haver Analytics; United States International Trade Commission (USITC); World Bank

Among the advanced economies, the United States remained the strongest performer, with manufacturing output expanding at its fastest pace since mid-2021. Robust domestic demand, continued investment in artificial intelligence and advanced manufacturing, and precautionary inventory accumulation ahead of potential supply disruptions supported industrial production.

Figure 7: Flash Composite PMI Output Indicators for G4 Advanced Economies (US, UK, Eurozone & Japan)



Source: S&P Global PMI

Japan also recorded sustained expansion in manufacturing activity, supported by stronger industrial production and improving new orders. However, manufacturers continued to face elevated input costs driven by higher energy prices and yen depreciation, resulting in the sharpest increase in manufacturing input prices in four years. In contrast, business conditions across the Eurozone and the United Kingdom remained comparatively subdued. Manufacturing activity showed early signs of stabilization, but weaker services activity, soft domestic demand, slowing export orders, and elevated operating costs continued to restrain overall business expansion. Germany remained the weakest-performing major economy, recording another month of contraction in overall business activity, while France continued to experience sluggish demand despite modest improvements in manufacturing output.

2. Artificial Intelligence Emerges as a Key Driver of Global Productivity and Long-Term Growth- World Bank

Artificial Intelligence (AI) is increasingly being recognized as a transformative force capable of reshaping global economic growth and productivity over the coming decades. According to the World Bank's Global Economic Prospects (June 2026), rapid adoption of AI technologies across industries could significantly enhance labor productivity, improve resource allocation, accelerate innovation, and strengthen long-term economic growth. If supported by appropriate policies and investments, AI could contribute to making the 2030s one of the strongest decades for global growth since the early 2000s.

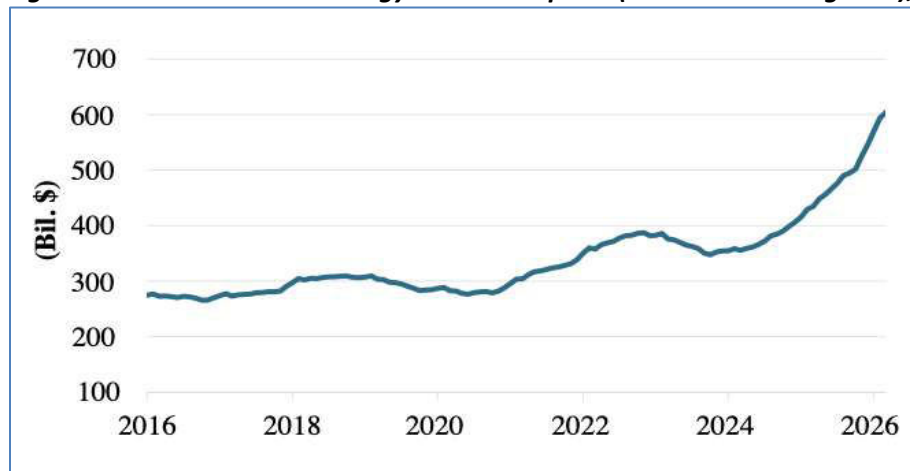
The growing emphasis on AI also reflects broader concerns over the prolonged slowdown in global productivity growth. The World Bank notes that productivity growth has weakened considerably since the early 2000s owing to ageing populations, weaker investment growth, slower capital accumulation, and subdued innovation across several sectors. Against this backdrop, AI has emerged as a critical productivity-enhancing technology, enabling automation of routine tasks, data-driven decision-making, and more efficient production processes across manufacturing, services, healthcare, logistics, and energy. Businesses are increasingly integrating AI into supply chain management, predictive maintenance, industrial operations, and customer services to improve operational efficiency and reduce production costs.

The rapid expansion of AI is also reshaping global energy demand and industrial supply chains. Growing investment in data centers, cloud computing infrastructure, and high-performance semiconductor manufacturing has significantly increased electricity consumption, particularly in advanced economies. At the same time, demand for AI hardware is driving investment in semiconductors and critical minerals such as rare earth elements, copper, lithium, and nickel, reinforcing the strategic importance of reliable electricity networks, resilient energy systems, and secure mineral supply chains while creating new opportunities for clean energy and grid modernization.

Despite its considerable potential, the economic benefits of AI are unlikely to be distributed evenly across countries. Advanced economies are expected to benefit more rapidly owing to stronger digital infrastructure, higher research and development expenditure, and a more skilled workforce. In contrast, many emerging market and developing economies continue to face constraints related to digital

infrastructure, computing capacity, skilled human resources, and regulatory frameworks, which could widen productivity and income gaps if left unaddressed.

Figure 8: U.S. AI- and Technology-Related Imports (12-Month Rolling Sum), 2016–2026



Source: S&P Global

The World Bank emphasizes that realizing the full economic benefits of AI will require sustained investment in digital infrastructure, education and workforce reskilling, research and innovation, and effective governance frameworks. While AI is unlikely to offset structural economic challenges in the near term, its widespread adoption is expected to play an increasingly important role in improving productivity, enhancing industrial competitiveness, accelerating innovation, and supporting sustainable long-term global economic growth.

3. Oil Prices expected to remain elevated despite Middle East ceasefire - S&P Global Market Intelligence

The ceasefire agreement between the United States and Iran and the proposed reopening of the Strait of Hormuz have eased immediate concerns regarding disruptions to global oil supplies. Nevertheless, S&P Global cautions that the economic consequences of the Middle East conflict are far from over, with crude oil prices expected to remain significantly above pre-conflict levels throughout 2026. Although the agreement has improved market sentiment and reduced geopolitical risk premiums, the restoration of normal production and export operations across the Gulf is likely to be gradual. Production facilities, export logistics, and regional shipping networks continue to face operational constraints, while the recent drawdown in global crude inventories has limited the market's ability to absorb supply shocks.

Reflecting these developments, S&P Global projects the average price of Dated Brent crude at US\$110 per barrel in 2026, nearly 90 % higher than its pre-conflict assumption made in February 2026. Prices are expected to ease only gradually during 2027 as production normalizes and supply chains stabilize. Elevated crude prices are likely to sustain inflationary pressures globally by increasing transportation, manufacturing, and energy costs while also widening current account deficits for oil-importing economies.

For countries heavily dependent on imported crude oil, including India, persistently high oil prices may increase import bills, pressure exchange rates, and constrain fiscal and monetary policy flexibility.

Despite recent diplomatic progress, S&P Global notes that the global oil market remains highly sensitive to geopolitical developments. Any delays in restoring Gulf production, renewed disruptions to maritime trade routes, or further geopolitical escalation could prolong supply tightness and maintain upward pressure on international energy prices.

4. Commodity Inflation Continues to Pose Global Risks - S&P Global Market Intelligence

While headline inflation has moderated across several economies following aggressive monetary tightening over the past two years, underlying cost pressures remain elevated due to persistent increases in commodity and industrial input prices. According to S&P Global, producer price inflation accelerated during March and April 2026, indicating that businesses continue to face significant increases in production costs despite some moderation in consumer price inflation. Rising prices of petrochemicals, industrial metals, and other intermediate goods have continued to exert upward pressure across global manufacturing and industrial supply chains.

S&P Global expects its Materials Price Index (excluding energy) to increase by more than 20 % during 2026, reflecting continued supply disruptions, higher logistics costs, and stronger demand for critical industrial materials such as copper and petrochemicals. In addition, climate-related risks, including the potential effects of El Niño on agricultural production, could further increase food and commodity prices during the second half of the year. These developments are expected to sustain cost-push inflation across several sectors, particularly refining, chemicals, fertilizers, construction materials, and heavy manufacturing. Copper, lithium, nickel and rare earth minerals continue to experience structurally stronger demand owing to the global energy transition.

The report also notes that inflationary pressures are becoming increasingly broad-based. While energy remains the principal driver of price increases, supply constraints across industrial raw materials and higher freight costs are contributing to persistent inflation in manufacturing inputs. These developments could delay the pace of monetary easing across several economies and continue to weigh on investment decisions, industrial competitiveness, and global economic growth.

5. El Niño Poses Emerging Risks to Global Inflation, Food Security and Energy Markets – S&P Global

Climate-related risks are expected to become an increasingly important factor shaping the global economic outlook during 2026. According to recent assessments by the World Bank and S&P Global, the emergence of El Niño conditions poses significant upside risks to inflation, agricultural production, commodity markets, and energy security at a time when the global economy is already grappling with elevated geopolitical uncertainty and volatile energy prices. While headline inflation has moderated across many economies, weather-induced supply disruptions could slow the pace of disinflation and add fresh pressures to food and energy markets.

El Niño is typically associated with below-normal rainfall across parts of South and Southeast Asia and Australia, and above-normal rainfall in parts of the Americas, resulting in disruptions to agricultural output and water availability. Reduced production of key food commodities such as rice, wheat, maize, sugar, edible oils, and coffee could contribute to higher global food prices and renewed inflationary pressures, particularly in emerging and developing economies where food accounts for a significant share of household expenditure. Climate-related disruptions to agricultural supply chains may also affect global trade flows and increase volatility in commodity markets.

Beyond agriculture, El Niño is expected to have important implications for global energy systems. Lower reservoir levels may reduce hydropower generation in several countries, increasing dependence on thermal power generation and natural gas. Higher temperatures are also likely to raise electricity demand for cooling, adding pressure on power systems and fuel markets during peak demand periods. These developments could reinforce existing energy security concerns, increase fossil fuel consumption, and contribute to higher energy costs for both households and industry.

Figure 9: Potential Economic and Sectoral Impacts of El Niño Across Selected Emerging Market Economies

Country	Weather conditions	Main sectors affected	Overall potential impact
Colombia	Inland drought and coastal flooding	Coffee and hydropower generation	High
India	Weak monsoon	Rice, sugar, hydropower generation	High
Indonesia	Drought, below-average rainfall	Palm oil, rice	High
Peru	Inland drought and coastal flooding	Fishing (anchovies) and infrastructure damage	High
Philippines	Below-average rainfall	Rice, corn, water, and electricity supply	High
South Africa	Drought	Corn, livestock, higher power demand	High
Thailand	Drought	Rice, sugar, hydropower generation	High
Vietnam	Drought	Rice, coffee, water stress	High
Brazil	Drought in the north, floods in the south	Soybean, corn, coffee, hydropower	Moderate
Chile	Droughts in the north, flooding in the center	Mining, agriculture, hydropower	Moderate
Malaysia	Drought	Water stress, agriculture	Moderate
Mexico	Drought	Water stress, agriculture	Moderate
Nigeria	Drought	Hydropower, agriculture	Moderate
Argentina	Above-average rainfall	Soybean, corn, and wheat could benefit	Low
Egypt	Drought	Water stress	Low
Saudi Arabia	Floods and higher temperatures	Infrastructure, higher power demand	Low
Turkiye	Higher temperatures	Higher power demand	Low

Source: S&P Global PMI

Emerging market and developing economies remain particularly vulnerable to these climate-related shocks due to their greater dependence on agriculture, limited climate-resilient infrastructure, and higher exposure to food and energy price volatility. Rising food and fuel prices could weaken household purchasing power, increase fiscal pressures through food and energy support measures, and limit the scope for monetary policy easing in economies where inflation remains above target. Countries across South and Southeast Asia, Latin America, and Sub-Saharan Africa are expected to face the greatest economic risks if adverse weather conditions persist during the remainder of the year.

The World Bank and S&P Global note that while El Niño is unlikely to derail the global recovery on its own, it represents an important upside risk to inflation and commodity prices that could amplify existing geopolitical and supply-side challenges. Strengthening climate resilience through investments in sustainable agriculture, water resource management, resilient energy infrastructure, and early warning systems will be critical to reducing the economic impact of future climate-related shocks and supporting long-term global growth.

6. ADB Commits US\$30 Billion to Strengthen ASEAN's Long-Term Resilience and Regional Integration

The Asian Development Bank (ADB) announced that it will mobilise US\$30 billion by 2030 to support the Association of Southeast Asian Nations (ASEAN) in advancing its long-term development priorities and enhancing resilience against external shocks. Announced during the 48th ASEAN Summit in Cebu, Philippines, the initiative aims to strengthen regional integration while supporting sustainable economic growth, energy security, financial resilience, and digital transformation across Southeast Asia.

The financing package will support five strategic priority areas: deepening regional capital markets, accelerating the ASEAN Power Grid, strengthening artificial intelligence readiness, promoting the blue economy, and enhancing river basin resilience. As part of the commitment, around US\$6 billion will be directed towards developing regional capital markets to improve access to long-term finance, while US\$5 billion will support expansion of the ASEAN Power Grid to facilitate cross-border electricity trade, improve grid reliability, and accelerate the deployment of renewable energy across the region.

The initiative reflects ASEAN's growing emphasis on building resilient regional infrastructure amid increasing geopolitical uncertainty, climate-related risks, and evolving global supply chains. Enhanced regional electricity connectivity, stronger financial integration, and greater investment in digital infrastructure are expected to improve economic competitiveness, reduce energy costs, and strengthen the region's ability to withstand external economic and environmental shocks. The programme also complements ASEAN's broader objectives of achieving sustainable development, accelerating the clean energy transition, and fostering innovation-led growth.

For Asia and the Pacific, the announcement reinforces the increasing role of multilateral development institutions in financing cross-border infrastructure and supporting regional public goods. By promoting energy connectivity, resilient capital markets, and digital transformation, the initiative is expected to contribute to stronger regional integration and enhance long-term economic resilience in one of the world's fastest-growing regions.

7. Indian Economy

Snapshot

India continued to demonstrate strong macroeconomic resilience during the first half of 2026 despite heightened global uncertainty arising from geopolitical tensions, elevated crude oil prices, slowing global trade, and tighter financial conditions. Supported by robust domestic demand, sustained public capital expenditure, resilient private investment, and continued expansion in manufacturing and services, India

retained its position as the fastest-growing major economy in the world. Sound macroeconomic fundamentals, including moderate consumer inflation, a stable financial system, comfortable foreign exchange reserves, and prudent fiscal management, continued to provide resilience against external shocks.

According to the Provisional Estimates released by the National Statistical Office (NSO), India's real Gross Domestic Product (GDP) expanded by 7.7 % in FY 2025–26, improving from 7.1 % in the previous financial year. Real Gross Value Added (GVA) also recorded robust growth of 7.9 %, reflecting broad-based expansion across agriculture, industry, and services. Nominal GDP grew by 8.9 % to ₹346.36 lakh crore, while nominal GVA increased by 9.1 % to ₹314.87 lakh crore. During the fourth quarter (January–March 2025–26), real GDP and GVA grew by 7.8 % and 7.9 %, respectively, indicating that economic activity remained resilient despite increasing external headwinds.

On the demand side, strong private consumption, supported by rising incomes and stable inflation, continued to underpin economic activity. Investment momentum remained healthy, with Gross Fixed Capital Formation (GFCF) maintaining growth, supported by sustained government capital expenditure, infrastructure development, and expanding manufacturing capacity. On the supply side, construction, manufacturing, financial services, public administration, defence, and trade-related activities remained the principal drivers of economic growth, while agriculture benefited from favourable production conditions.

India GDP position

The World Bank has projected India's GDP growth at 6.6 % for FY 2026–27, maintaining India as the fastest-growing major economy globally. According to the World Bank, growth will continue to be driven primarily by domestic demand, supported by stable inflation, public infrastructure investment, improving financial conditions, and sustained expansion in manufacturing and services. Nevertheless, higher global energy prices, supply chain disruptions, and prolonged geopolitical tensions are expected to moderate growth compared with FY 2025–26.

The Reserve Bank of India has also adopted a cautiously optimistic outlook. While acknowledging the resilience of domestic economic activity, the RBI has highlighted that rising crude oil prices, exchange rate volatility, and evolving geopolitical developments continue to pose risks to inflation and growth. Consequently, policy emphasis remains focused on preserving macroeconomic stability while supporting sustainable economic expansion through adequate liquidity, financial stability, and calibrated monetary policy.

Going forward, India's growth trajectory will depend on sustained public and private investment, continued implementation of infrastructure and manufacturing initiatives, stable inflation, and a gradual recovery in global trade. The ongoing expansion of digital infrastructure, semiconductor manufacturing, renewable energy, logistics, and advanced technologies is expected to further strengthen India's long-term growth potential and improve productivity across sectors.

Inflation in India

Consumer price inflation remained within the Reserve Bank of India's medium-term target during May 2026, although price pressures showed signs of re-emerging following several months of moderation. Rising global energy prices, higher food costs, and supply-side disruptions associated with geopolitical tensions contributed to an increase in headline inflation, while underlying demand-side inflationary pressures remained relatively contained. Despite the uptick, India's inflation performance continued to compare favourably with many major economies, reflecting prudent monetary policy, stable domestic demand, and effective supply-side interventions.

National Level Indices

Retail inflation, measured by the Consumer Price Index (CPI), increased to 3.93 % (provisional) in May 2026 from 3.48 % in April 2026. Rural inflation accelerated to 4.25 %, while Urban inflation rose to 3.53 %, indicating relatively stronger price pressures in rural areas. The increase in headline inflation was primarily driven by food prices and the gradual transmission of higher international energy prices following geopolitical developments in the Middle East. Nevertheless, headline inflation remained below the RBI's medium-term target of 4 %, providing policymakers with continued flexibility while warranting close monitoring of emerging inflationary risks.

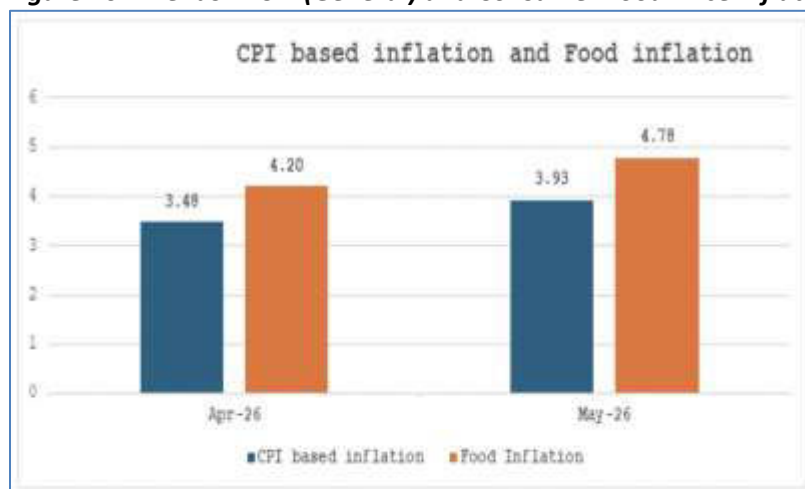
Table 1: CPI & Consumer Food Price Inflation (CFPI) – Inflation Rates & Index Values (May & April 2026)

		May, 2026 (Provisional)			April, 2026 (Final)		
		Rural	Urban	Combined	Rural	Urban	Combined
Inflation (%)	CPI (General)	4.25	3.53	3.93	3.74	3.16	3.48
	CFPI	4.85	4.66	4.78	4.26	4.10	4.20
Index	CPI (General)	106.11	105.66	105.91	105.28	104.92	105.12
	CFPI	105.07	105.83	105.35	104.17	104.77	104.39

Source: PIB

Food inflation, measured by the Consumer Food Price Index (CFPI), also increased during the month, rising to 4.78 % from 4.20 % in April. Rural food inflation stood at 4.85 %, marginally higher than urban food inflation of 4.66 %. The increase largely reflected higher prices of vegetables, cereals, edible oils, and other essential food items amid rising transportation costs, elevated fertiliser prices, and seasonal supply constraints. While food inflation remained the principal contributor to the rise in headline inflation, continued improvements in agricultural production and normal progress of the kharif season are expected to moderate food price pressures over the medium term.

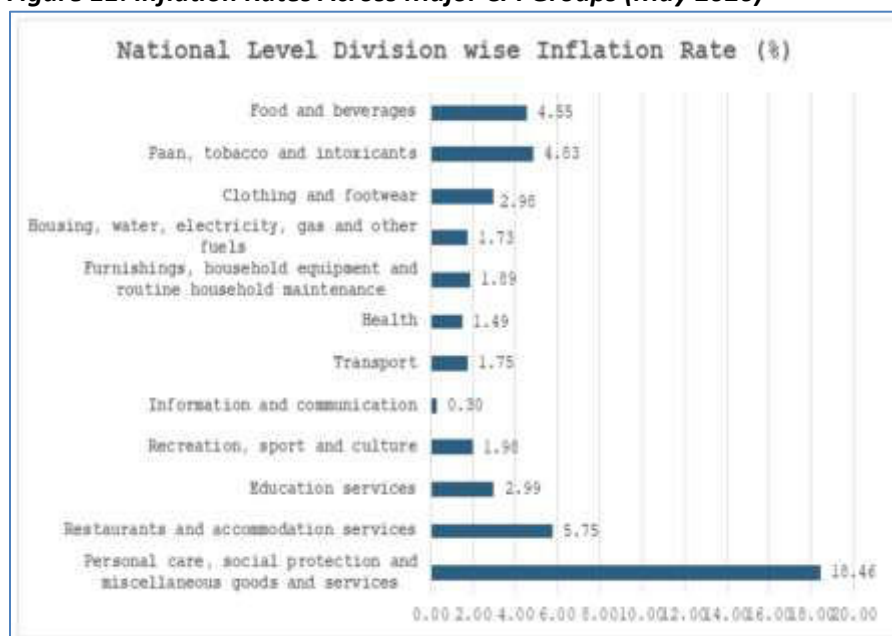
Figure 10: Trends in CPI (General) and Consumer Food Price Inflation (CFPI), April–May 2026



Source: PIB

Housing inflation remained relatively stable at 2.12 % during May 2026, reflecting moderate increases in rentals and housing-related services. Inflation across other major consumption categories remained largely contained. However, notable price pressures persisted in Personal Care, Social Protection and Miscellaneous Goods & Services (18.46 %) and Restaurants & Accommodation Services (5.75 %), reflecting higher service costs and wage-related pressures. Food & Beverages recorded inflation of 4.55 %, while Education (2.99 %), Clothing & Footwear (2.98 %), Transport (1.75 %), Housing, Water, Electricity, Gas & Other Fuels (1.73 %), Health (1.49 %), and Information & Communication (0.30 %) registered comparatively moderate price increases, indicating that inflation remained concentrated in selected categories rather than broad-based across the consumption basket.

Figure 11: Inflation Rates Across Major CPI Groups (May 2026)



Source: PIB

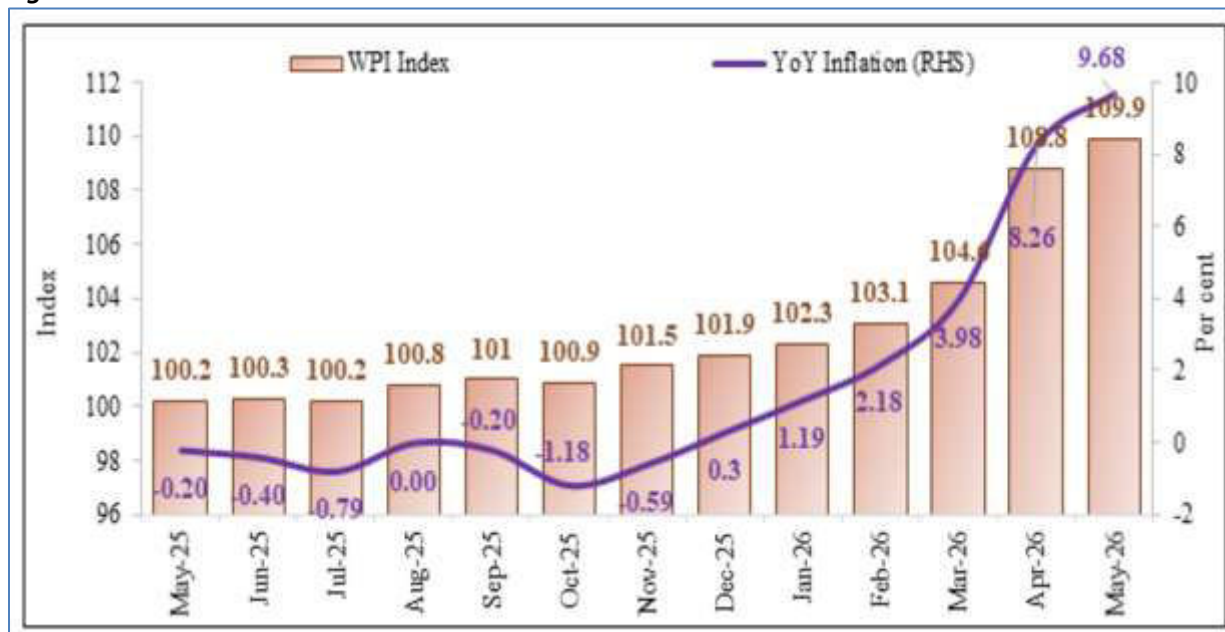
Among the major CPI groups, inflation remained highest in Personal Care, Social Protection and Miscellaneous Goods & Services (18.46%), followed by Restaurants & Accommodation Services (5.75%), while inflation in Housing, Transport, Health, and Information & Communication remained relatively subdued.

Wholesale Prices and Producer Price Indices (Base Year: 2022-23)

Wholesale Price Inflation (WPI) accelerated during May 2026, reflecting rising cost pressures across the production chain, primarily driven by higher energy prices and increased manufacturing costs. According to the revised WPI series with 2022–23 as the new base year, annual wholesale inflation increased to 9.68 % in May 2026 from 8.26 % in April 2026. The rise was largely attributed to higher prices of mineral oils, crude petroleum and natural gas, chemicals and chemical products, and basic metals, highlighting the transmission of global commodity and energy price increases into domestic producer prices.

Among the major commodity groups, Fuel and Power remained the principal driver of wholesale inflation, recording a year-on-year inflation rate of 30.33%, compared with 24.89% in April. Inflation in Manufactured Products increased to 7.48 % from 6.68 %, indicating that higher input costs were gradually being passed on through industrial production. Primary Articles registered inflation of 4.99 %, up from 3.78 % in the previous month, while the WPI Food Index rose to 4.49 % from 3.11 %, reflecting higher prices of food articles and manufactured food products.

Figure 12: WPI Index and Inflation Rate for All Commodities



Source: PIB

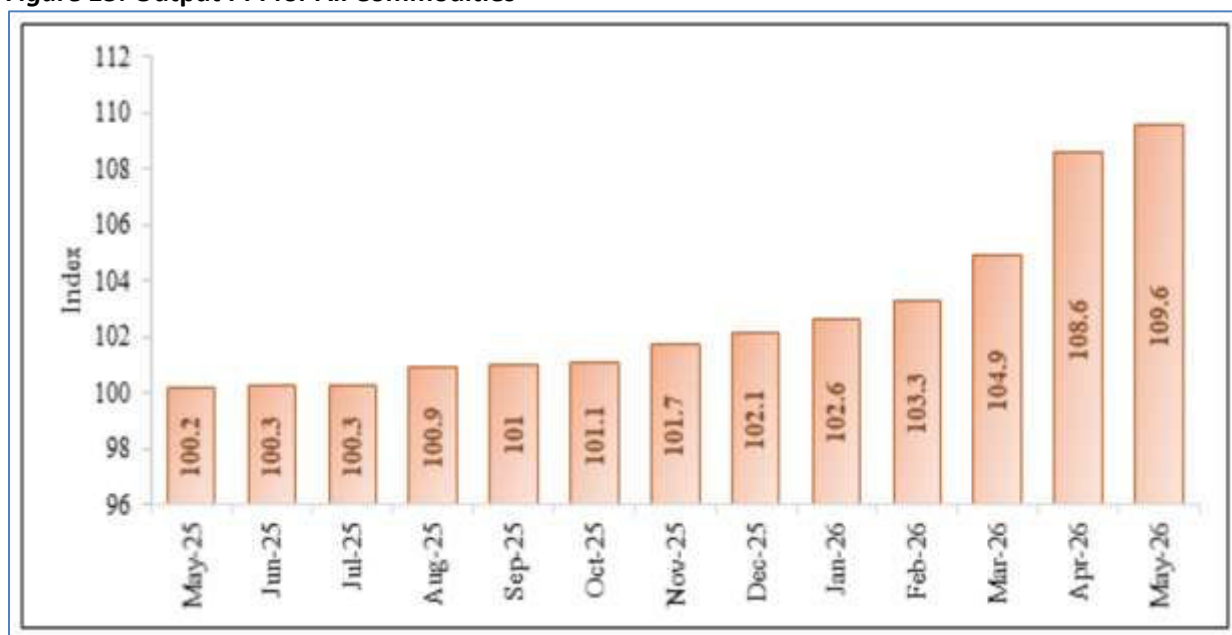
A significant policy development during the month was the launch of the revised WPI (Base Year: 2022–23) along with the introduction of a comprehensive Producer Price Index (PPI) framework. The revised WPI better reflects the current structure of the Indian economy by expanding the commodity basket

from 697 to 957 items, incorporating emerging sectors and improving representation of manufacturing, services, and clean energy. Alongside the revised WPI, the Government introduced three PPI indices—Output Producer Price Index (Output PPI), Input Producer Price Index (Input PPI), and Service Producer Price Indices—bringing India's producer price statistics closer to international best practices followed by advanced and emerging economies.

Unlike the CPI, which measures price changes experienced by consumers, the PPI captures price movements from the perspective of producers by measuring changes in prices received for outputs and prices paid for production inputs. These indices provide policymakers and businesses with a more comprehensive assessment of production costs, industrial competitiveness, supply-side inflation, and pricing pressures across goods and selected service sectors. The revised statistical framework is expected to strengthen inflation monitoring, improve policy formulation, and enhance the analytical assessment of price transmission across the economy.

The newly introduced Output Producer Price Index (Output PPI) provides a broader measure of price movements from the producer's perspective and complements the Wholesale Price Index in assessing inflationary pressures across the production chain. The provisional Output PPI for All Commodities increased to 109.6 in May 2026 from 108.6 in April. Across the major sectors, the index stood at 111.9 for Agriculture, Forestry and Fishing, 122.3 for Mining and Quarrying, 109.5 for Manufactured Products, and 90.2 for electricity. As India gradually develops a comprehensive Producer Price Index framework, these indicators are expected to strengthen inflation analysis, improve industrial cost monitoring, and provide policymakers with a more robust assessment of supply-side price dynamics.

Figure 13: Output PPI for All Commodities



Monetary Policy Outlook

The Reserve Bank of India (RBI) maintained a cautious approach to monetary policy during its June 2026 Monetary Policy Committee (MPC) meeting by keeping the policy repo rate unchanged at 5.25 % while retaining its neutral policy stance. The decision reflects the central bank's efforts to balance the need to support economic growth with the emerging risks arising from higher international crude oil prices, exchange rate pressures, and evolving geopolitical developments.

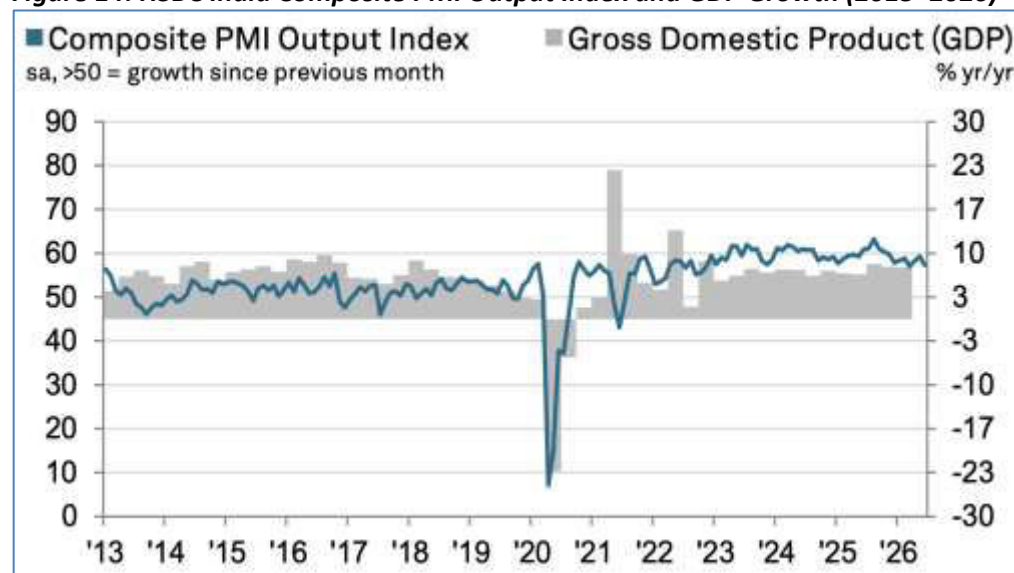
Although headline consumer inflation has remained below the RBI's medium-term target of 4 % for an extended period, policymakers acknowledged that recent developments in global energy markets and supply chains could increase inflationary pressures over the coming months. Rising crude oil prices, uncertainty surrounding the southwest monsoon, and imported inflation remain key risks that could influence future monetary policy decisions.

The RBI reiterated that future policy decisions will remain data-dependent and will continue to focus on maintaining price stability while supporting sustainable economic growth. As global uncertainty persists, monetary policy is expected to remain calibrated, with adequate liquidity and financial stability continuing to support investment, credit growth, and domestic economic activity.

Manufacturing and Services Activity - India PMI

India's private sector continued to expand at a robust pace during June 2026, although growth moderated from the strong momentum recorded in previous months. According to the HSBC Flash India PMI survey, the Composite PMI Output Index declined to 57.4 in June from 59.3 in May, marking a three-month low but remaining comfortably above the neutral threshold of 50, indicating continued expansion in overall business activity. The moderation reflected softer growth across both manufacturing and services amid easing demand conditions and higher input costs.

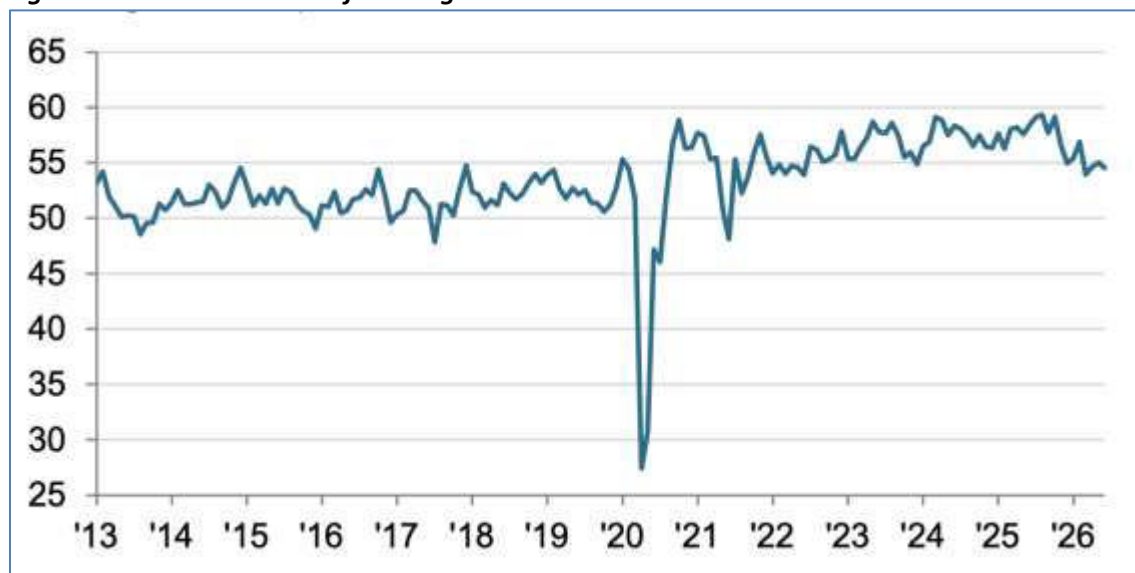
Figure 14: HSBC India Composite PMI Output Index and GDP Growth (2013–2026)



Source: HSBC, S&P Global PMI

The Manufacturing PMI eased to 54.5 from 55.0 in May, while the Manufacturing Output Index moderated to 57.4 from 58.0. Although new orders continued to expand, the pace of growth slowed as firms reported competitive pressures, rising fuel prices, gas shortages, and softer domestic demand. Export orders increased at their weakest pace since March 2023, and purchasing activity rose at the slowest rate in nearly two-and-a-half years, resulting in slower inventory accumulation. Despite these headwinds, manufacturers remained optimistic about future output, supported by resilient order books and continued infrastructure-led demand.

Figure 15: HSBC India Manufacturing PMI



Source: HSBC, S&P Global PMI

The Services PMI Business Activity Index also moderated to 57.3 from 59.8 in May, recording its slowest pace of expansion since January 2025. Business activity continued to be supported by healthy domestic demand and growth in international sales; however, firms reported increased competition and softer demand conditions that slowed the pace of new business inflows. Employment continued to expand, although hiring growth weakened to its slowest pace since December 2025, reflecting greater caution among businesses amid an uncertain external environment.

India's external position

Foreign Exchange Reserves

India's foreign exchange reserves remained robust during June 2026, providing a strong buffer against external shocks arising from heightened geopolitical tensions, volatile global financial markets, and fluctuations in international commodity prices. Healthy reserve levels continued to strengthen investor confidence, support exchange rate stability, and enhance the country's ability to meet external payment obligations. The accumulation of reserves reflects sustained capital inflows, prudent external sector management, and the Reserve Bank of India's continued focus on maintaining adequate liquidity in the foreign exchange market.

According to the Reserve Bank of India, foreign exchange reserves increased by US\$ 5.68 billion to US\$ 703.95 billion for the week ended 20 June 2026, reversing the decline recorded in the previous week. The increase was primarily driven by a rise in Foreign Currency Assets (FCAs), which constitute the largest component of India's reserves. Gold reserves also recorded an increase during the period, while Special Drawing Rights (SDRs) and the Reserve Position in the International Monetary Fund (IMF) remained broadly stable.

Foreign Currency Assets increased by US\$ 4.85 billion to US\$ 596.98 billion, reflecting valuation gains arising from movements in major international currencies as well as changes in reserve asset holdings. Gold reserves rose by US\$ 0.74 billion to US\$ 81.90 billion, continuing the RBI's gradual diversification of reserve assets. India's Special Drawing Rights (SDRs) increased marginally to US\$ 18.73 billion, while the Reserve Position in the IMF stood at US\$ 6.34 billion.

India's strong foreign exchange reserve position continues to provide an important cushion against external vulnerabilities, particularly in the context of higher global crude oil prices, increased capital flow volatility, and elevated geopolitical risks. The reserves remain sufficient to finance several months of imports and strengthen India's external sector resilience by supporting exchange rate stability and mitigating the impact of sudden external shocks. Going forward, the trajectory of foreign exchange reserves will depend on global capital flows, trade performance, movements in the US dollar, foreign portfolio investment, and the Reserve Bank of India's foreign exchange operations.

External Trade Developments

India's external trade sector maintained strong momentum during May 2026, despite persistent geopolitical uncertainties, elevated crude oil prices, and a challenging global trade environment. Total exports (merchandise and services combined) were estimated at US\$ 81.96 billion, registering a growth of 15.83 % compared with US\$ 70.76 billion in May 2025. Total imports increased to US\$ 92.47 billion, reflecting a year-on-year growth of 19.23 %, primarily driven by higher energy imports and stronger domestic demand. During the first two months of FY 2026–27 (April–May), cumulative exports increased by 14.66 % to US\$ 162.69 billion, while imports grew by 14.38 % to US\$ 182.83 billion, indicating continued resilience in India's external sector.

Merchandise exports during May 2026 increased to US\$ 45.20 billion from US\$ 38.30 billion in May 2025, registering a robust growth of 18.02 %. Non-petroleum exports also remained resilient, increasing by 11.88 % to US\$ 36.78 billion, while cumulative non-petroleum exports during April–May 2026–27 rose by 10.49 % to US\$ 70.74 billion. The sustained expansion in non-petroleum exports indicates that India's export growth continued to be broad-based and supported by manufacturing and value-added sectors rather than being solely driven by petroleum products.

The growth in merchandise exports was led by petroleum products, engineering goods, organic and inorganic chemicals, electronic goods, and gems & jewelry. Petroleum product exports recorded the highest increase among the major export categories, rising by 54.89 % from US\$ 5.44 billion in May 2025

to US\$ 8.42 billion in May 2026, supported by higher international crude oil prices and increased export realizations. Engineering goods exports increased by 24.48 % to US\$ 12.31 billion, reaffirming the competitiveness of India's manufacturing sector. Electronic goods exports grew by 11.62 % to US\$ 5.10 billion, reflecting continued expansion in domestic electronics manufacturing, while exports of organic and inorganic chemicals increased by 12.71 % and gems & jewelry by 6.66 %.

The services sector continued to provide significant support to India's external trade performance. Estimated services exports increased to US\$ 36.76 billion during May 2026 from US\$ 32.46 billion a year earlier, while cumulative services exports during April–May 2026–27 rose by 12.99 % to US\$ 73.79 billion. The sustained strength in services exports helped partially offset the widening merchandise trade deficit and reinforced India's position as one of the world's leading exporters of IT, business and professional services.

Overall, India's export performance reflects the growing diversification and resilience of its external sector. Strong growth in engineering goods, electronics, chemicals and services, together with sustained expansion in non-petroleum exports, underscores India's improving competitiveness in higher value-added sectors. Going forward, export performance will continue to depend on the pace of global economic recovery, international commodity prices, geopolitical developments, and the resilience of key manufacturing and services industries.

Table 2: Trade during May 2026

		May 2026 (US\$ Billion)	May 2025 (US\$ Billion)
Merchandise	Exports	45.20	38.30
	Imports	73.41	60.86
Services*	Exports	36.76	32.46
	Imports	19.06	16.70
Total Trade (Merchandise + Services) *	Exports	81.96	70.76
	Imports	92.47	77.55
	Trade Balance	-10.51	-6.79

Source - Ministry of Commerce & Industry

Figure 16: Total Trade during May 2026



Source - Ministry of Commerce & Industry

Geographical Trends

Export diversification across regions continued during May 2026, with strong growth observed in several Asian and African markets.

Top export destinations (May 2026 growth):

- Tanzania – 196.89%
- Sri Lanka – 150.29%
- South Africa – 116.21%
- Italy – 87.54%
- Singapore – 68.96%

Top import sources (May 2026 growth):

- Brazil – 358.83%
- Oman – 305.66%
- Russia – 63.46%
- United States – 54.43%
- China – 23.40%

Index of Eight Core Industries (ICI)

The Index of Eight Core Industries (ICI), a key indicator of industrial activity, increased by 0.5 %(provisional) in May 2026 compared with May 2025, indicating a moderation in core sector growth following the 1.8 % expansion recorded in April 2026. The subdued growth reflected continued weakness across energy-related sectors, including coal, crude oil, natural gas, refinery products and fertilizers, while robust growth in steel, cement and electricity production helped sustain positive momentum in overall industrial activity.

The ICI tracks the performance of eight core industries—coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity—which together account for 40.27 % of the weight in the Index of Industrial Production (IIP). Consequently, the index serves as an important leading indicator of industrial production, infrastructure development and economic activity.

Sector-wise Performance

- Coal – Coal production (weight: 10.33 %) declined by 9.3 % in May 2026 over May 2025. Its cumulative index declined by 9.1 % during April–May 2026–27 compared with the corresponding period of the previous year.
- Crude Oil – Crude oil production (weight: 8.98 %) decreased by 4.6 % in May 2026 over May 2025. Its cumulative index declined by 4.2 % during April–May 2026–27 over the corresponding period of the previous year.

- Natural Gas – Natural gas production (weight: 6.88 %) declined by 4.9 % in May 2026 over May 2025. Its cumulative index fell by 4.5 % during April–May 2026–27 compared with the corresponding period of the previous year.
- Petroleum Refinery Products – Petroleum refinery production (weight: 28.04 %) declined by 8.7 % in May 2026 over May 2025. Its cumulative index decreased by 4.7 % during April–May 2026–27 compared with the corresponding period of the previous year.
- Fertilizers – Fertilizer production (weight: 2.63 %) declined by 0.9 % in May 2026 over May 2025. Its cumulative index fell by 4.5 % during April–May 2026–27 compared with the corresponding period of the previous year.
- Steel – Steel production (weight: 17.92 %) increased by 5.0 % in May 2026 over May 2025. Its cumulative index increased by 5.2 % during April–May 2026–27 over the corresponding period of the previous year.
- Cement – Cement production (weight: 5.37 %) increased by 8.4 % in May 2026 over May 2025. Its cumulative index rose by 8.3 % during April–May 2026–27 compared with the corresponding period of the previous year.
- Electricity – Electricity generation (weight: 19.85 %) increased by 8.7 % in May 2026 over May 2025. Its cumulative index increased by 7.1 % during April–May 2026–27 compared with the corresponding period of the previous year.

Overall, the performance of the core industries during May 2026 highlights a divergence within India's industrial sector. While infrastructure-linked industries such as steel, cement and electricity continued to record healthy growth, persistent weakness in fossil fuel production and refinery output constrained overall expansion. Going forward, sustained public infrastructure investment and resilient domestic demand are expected to support industrial activity, although higher global energy prices and supply-side constraints may continue to weigh on the energy sector in the near term.

8. World Bank supports India's reform agenda to boost growth and employment

In a significant endorsement of India's ongoing structural reform agenda, the World Bank Group approved US\$1.5 billion in financing on 18 June 2026 under the Boosting Job Creation in the Private Sector Development Policy Financing (DPF) Operation. The programme aims to strengthen private sector-led growth, improve the investment climate, enhance labor market efficiency, and accelerate employment generation, particularly for the nearly 11 million young people expected to enter India's labor force each year over the next two decades.

The financing supports a broad set of policy reforms designed to reduce barriers to private investment, improve the business environment, facilitate easier access to finance for enterprises, and strengthen labor market institutions. It complements the Government of India's ongoing initiatives under the *Make in India*, *Digital India*, and infrastructure development programmes, while encouraging greater participation of the private sector in manufacturing, services, and high-productivity industries. The programme also seeks to improve opportunities for women and youth through enhanced workforce participation and skills development.

The approval is aligned with the World Bank Group's new Country Partnership Framework (FY2026–31) for India, which envisages US\$8–10 billion in annual financing over the next five years to support India's aspiration of becoming a developed economy by 2047. The partnership places particular emphasis on creating quality jobs, strengthening infrastructure, promoting innovation, enhancing human capital, mobilizing private investment, and building climate-resilient growth.

The World Bank's continued support reinforces international confidence in India's macroeconomic fundamentals and reform trajectory. By improving the business ecosystem, encouraging private investment, and fostering job-rich growth, these reforms are expected to strengthen India's long-term growth potential, enhance productivity, and improve the country's competitiveness in the global economy.

The World Bank has also highlighted water security as a key driver of India's future economic development. Water availability per capita has declined significantly over recent decades due to population growth, while climate change has increased the frequency of floods and droughts. The Bank notes that improving irrigation efficiency, strengthening urban water supply systems, expanding wastewater treatment and reuse, and adopting integrated river basin management will be essential to sustaining agricultural productivity, supporting industrial expansion, creating employment, and enhancing climate resilience. These reforms complement the Government of India's broader focus on infrastructure development and sustainable resource management.

9. India's green economy continues to expand rapidly

India emerged as one of Asia's fastest-growing green economies in 2025, reflecting the country's accelerating transition towards clean energy, sustainable manufacturing, and climate-resilient infrastructure. According to the London Stock Exchange Group (LSEG) Investing in the Green Economy 2026 report, India's green economy generated approximately US\$110 billion in green revenues during 2025, growing at a compound annual growth rate (CAGR) of 20 % over the past five years. This significantly exceeds both Asia's average green revenue growth of 12 % and the global average of 10 %, highlighting the rapid expansion of India's clean energy and sustainability-related industries.

Although India currently accounts for around 4 % of Asia's total green revenues, the country has established a strong competitive position in several niche sectors. India contributes approximately 87 % of Asia's green revenues from biogas energy equipment and 75 % of revenues from advanced irrigation systems and devices, reflecting its growing leadership in sustainable agriculture, waste-to-energy technologies, and decentralized renewable energy solutions. The report also notes that India has become one of Asia's leading destinations for clean-energy investment, attracting nearly US\$100 billion in investment across renewable energy, energy storage, nuclear power, and energy efficiency projects during 2025.

10. Foreign Direct investment continues to strengthen investor confidence

India continued to witness robust Foreign Direct Investment (FDI) inflows during FY 2025–26, underscoring sustained investor confidence in the country's macroeconomic fundamentals, expanding manufacturing base, and ongoing structural reforms. According to data released by the Department for Promotion of Industry and Internal Trade (DPIIT), FDI equity inflows increased by 18 % to US\$58.84 billion during FY 2025–26, supported by strong investments in manufacturing, digital services, financial activities, and infrastructure. The increase reflects the positive impact of policy reforms, improved ease of doing business, production-linked incentive (PLI) schemes, and continued expansion of India's domestic market.

The computer software and hardware sector remained the largest recipient of foreign investment, followed by services, trading, telecommunications, automobile, pharmaceuticals, chemicals, and construction-related activities. Manufacturing continued to attract a growing share of FDI, reflecting India's emergence as an important global production and supply-chain destination. Government initiatives such as Make in India, expanding digital infrastructure, semiconductor manufacturing, electronics production, renewable energy, and logistics development have further strengthened India's attractiveness as an investment destination.

Among source countries, Singapore remained the largest investor, while FDI inflows from the United States more than doubled during FY 2025–26 to over US\$11 billion, reflecting deepening economic ties and growing investor confidence. Mauritius, Japan, the United Arab Emirates, and the Netherlands also remained important sources of investment. At the state level, Maharashtra, Karnataka, Tamil Nadu, Delhi, and Haryana continued to account for a significant share of total FDI inflows owing to their well-developed industrial ecosystems, infrastructure, and skilled workforce.

Looking ahead, India's investment outlook remains favorable, supported by strong domestic demand, continued public infrastructure investment, manufacturing expansion, digitalization, and ongoing policy reforms. The recent conclusion of free trade agreements, implementation of labor and logistics reforms, and continued emphasis on high-technology manufacturing are expected to further enhance India's competitiveness as a preferred global investment destination. Nevertheless, geopolitical uncertainty, slower global growth, and tighter international financial conditions remain important external risks that could influence the pace of future investment flows.

Lessons from Economics

Backwardation

Backwardation occurs when the current price, or spot price, of a commodity is higher than the prices in the futures market. This generally reflects strong near-term demand or supply shortages that the market expects to ease over time.

The opposite of backwardation is contango, where futures prices are higher than the current spot price, typically reflecting ample supply, storage costs, financing costs, or expectations of higher future prices.

How Backwardation Impacts Market Dynamics

The spot price is a term that describes the current market price for an asset or investment, such as a security, commodity, or a currency. The spot price is the price at which the asset can be bought or sold currently and will change throughout a day or over time due to supply and demand forces.

If the futures contract price is lower than today's spot price, the market expects the current elevated spot price to decline over time as supply conditions improve. This market structure is known as backwardation.

In backwardation, traders may exploit price differences between the spot and futures markets through arbitrage where feasible. As the futures contract approaches maturity, the futures and spot prices typically converge.

Pros

- Backwardation benefits speculators and short-term traders looking to profit from arbitrage.
- Backwardation can be used as a leading indicator signaling that spot prices will fall in the future.

Cons

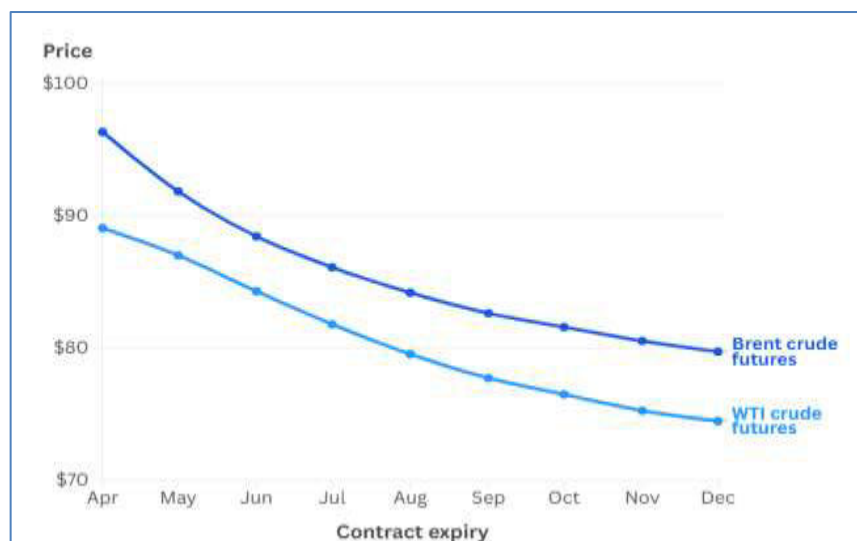
- Investors can lose money from backwardation if futures prices continue to move lower.
- Trading backwardation due to a commodity shortage can lead to losses if new suppliers come online to boost production.

Oil markets in Backwardation (Scenario for March 2026)

Backwardation is common in crude oil markets during periods of supply tightness, geopolitical disruptions, or strong near-term demand. These conditions create a premium for immediate delivery relative to future delivery.

The below figure illustrates a backwardation market structure, where futures prices decline as the contract maturity extends. The left side of the graph represents near-term contracts, which are priced higher due to tight supply conditions. As the contract expiry moves further into the future (towards December), futures prices gradually decrease, indicating that the market expects supply conditions to

improve and prices to moderate over time. In this illustration, both Brent and WTI crude futures follow a downward-sloping curve, with Brent futures trading at a premium to WTI futures throughout the period.



Source: London stock exchange Group (Prices as of March 25, 2026)

Conclusion

Backwardation generally signals strong current demand or constrained supply, leading to higher short-term commodity prices. While it benefits commodity-exporting economies and producers, it increases costs for import-dependent countries, contributes to inflationary pressures, discourages inventory accumulation, and shapes expectations about future market conditions.

Oil Market

Crude oil price – Monthly Review

An interim agreement between the United States and Iran aimed at ending the conflict in the Middle East could facilitate the reopening of the Strait of Hormuz and the removal of the U.S. blockade on Iranian oil exports. This marks the most significant breakthrough in negotiations since the onset of the conflict and has prompted a sharp decline in oil prices, which have fallen to their lowest levels since early March. Oil prices had already retreated from recent highs as market concerns eased, supported by a surge in Gulf exports at the beginning of June, accelerated strategic stock releases by the International Energy Agency (IEA), and weaker global demand. ICE Brent crude futures were trading at approximately US\$81 per barrel, representing a decline of US\$37 per barrel from the peak recorded in early April, although prices remained around US\$20 per barrel higher than at the beginning of the year.

Provided the agreement remains in force, oil production and exports from the Gulf are expected to recover gradually, particularly as Iranian crude exports are likely to resume in full following the lifting of the U.S. blockade. Shipments through the Strait of Hormuz had already increased significantly in early June, aided by ship-to-ship transfers in the Gulf of Oman, with total crude flows rising from a low of 9.6 million barrels per day (mb/d) in May to approximately 12 million barrels per day. Nevertheless, a full recovery is unlikely to be immediate. Maritime mines will need to be cleared from the principal shipping lanes, and regional supply chains will require time to return to normal operating conditions.

Overall, global oil supply is expected to fall by 3.9 mb/d on average in 2026 to 102.4 mb/d. Gulf supply losses will be partly offset by continued gains from non-OPEC+ producers. Robust growth from the Americas, along with steep US SPR releases, boosted Atlantic Basin crude exports to markets East of Suez since the start of the war by 3.5 mb/d. At the same time, crude imports into China and Japan, in particular, have declined sharply, with each falling by around 40% – or nearly 6 mb/d combined. Lower refinery crude runs in China, the Middle East, Eurasia and elsewhere in Asia, down by more than 5 mb/d y-o-y in 2Q26, transmitted this supply shock into product markets. Despite the significant reductions in demand for crude oil and refined products, the buffers in the system continue to erode at a record pace. Global observed oil stocks have declined by 3.8 mb/d on average since the start of the war, with a sizeable draw of 143 mb (-4.6 mb/d) in May, according to preliminary data. Further declines in the coming months could still take global oil stocks to historic lows before the market balance shifts to surplus towards the end of the year.

Hedge funds and other money managers cut their bullish positions in May in both Brent and WTI futures contracts, betting on easing geopolitical tensions in the Middle East and improving supply conditions. Speculators sold the equivalent of about 122 mb of oil in May, cutting their combined options and futures net long positions by 25% in ICE Brent, NYMEX WTI and ICE WTI contracts. Money managers also cut their net long positions in WTI in May. NYMEX and ICE WTI net long positions dropped by 17,335 lots, or 16.0%, between the weeks of 28 April and 26 May, to 91,163 contracts, according to the US Commodity Futures Trading Commission (CFTC). The decrease in net long positions was driven by a decline in long positions of 24,377 lots, or 10.5%, to 208,014 contracts. During the same period, short positions fell by 7,042 lots, or 5.7%, to 116,851 contracts.

Crude spot prices declined in May amid expectations of improving prompt supply availability and softer refinery demand, particularly in Asia, where persistent refinery constraints weighed on spot market buying activity. Global refinery intake levels were nearly 7 mb/d below those observed in January and

February. North Sea Dated and Dubai first-month prices dropped by \$13.60/b and \$4.27/b, m-o-m, respectively, to average \$107.80/b and \$101.29/b.

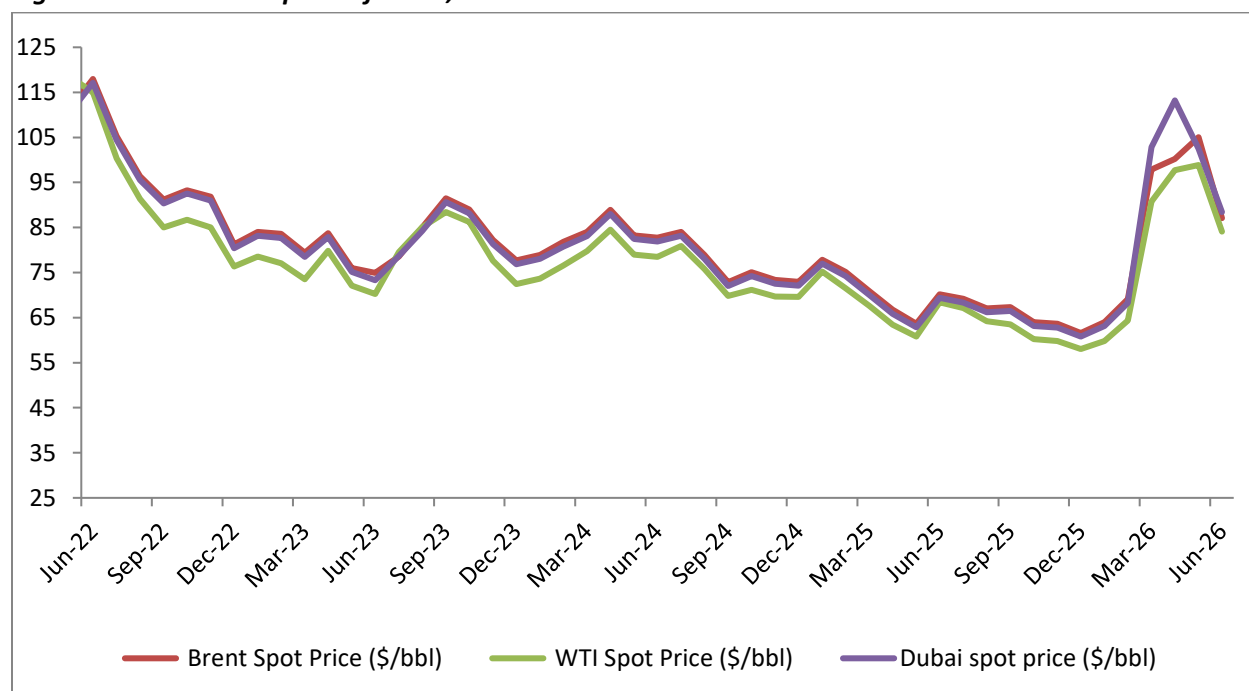
However, WTI spot prices rose slightly, m-o-m, finding support amid an ongoing draw in US crude stocks, strong US crude exports, and firm US refinery intakes. WTI's first-month price rose by \$0.53/b, m-o-m, to average \$99.16/b.

At the beginning of May, spot prices remained relatively supported by lingering supply constraints and limited prompt availability, as refiners continued to secure replacement barrels in the June trading cycle. However, later in the month, growing expectations of improving global oil supply conditions combined with softer refinery demand weighed on market sentiment. Weaker refinery margins across several key regions, particularly in Asia, also exerted downward pressure on crude prices. Lower refinery runs reduced spot buying activity, while the availability of alternative supplies constrained price premiums. As a result, crude differentials weakened across most key spot markets, easing from the elevated levels observed in March and April.

In May, the ORB value rose by \$5.49/b, m-o-m, to average \$114.55/b. West and North African Basket components Bonny Light, Djeno, Es Sider, Rabi Light, Sahara Blend and Zafiro dropped by an average of \$14.44/b, m-o-m, to \$108.46/b. Multiple-region destination grades, including Arab Light, Basrah Medium, Iran Heavy and Kuwait Export, increased on average by \$12.49/b, m-o-m, to \$119.09/b. Murban crude declined on average by \$2.29/b, m-o-m, to \$102.17/b, and the Meray component dropped by \$7.70/b, m-o-m, to settle at \$82.77/b.

Brent crude ranged an average to \$87.06 a barrel and WTI ranged to \$84.12 per barrel in the month of June 2026.

Figure 17: Benchmark price of Brent, WTI and Dubai crude



Source: World Bank

- Brent crude price averaged \$87.06 per bbl in June 2026, down by 17.1% on a month on month (MoM) and up by 24.1% on year on year (YoY) basis, respectively.
- WTI crude price averaged \$84.12 per bbl in June 2026, down by 14.9% on a month on month (MoM) and up by 23.0% on year on year (YoY) basis, respectively.
- Dubai crude price averaged \$88.44 per bbl in June 2026, down by 13.7% on a month on month (MoM) and up by 27.5% on year on year (YoY) basis, respectively.

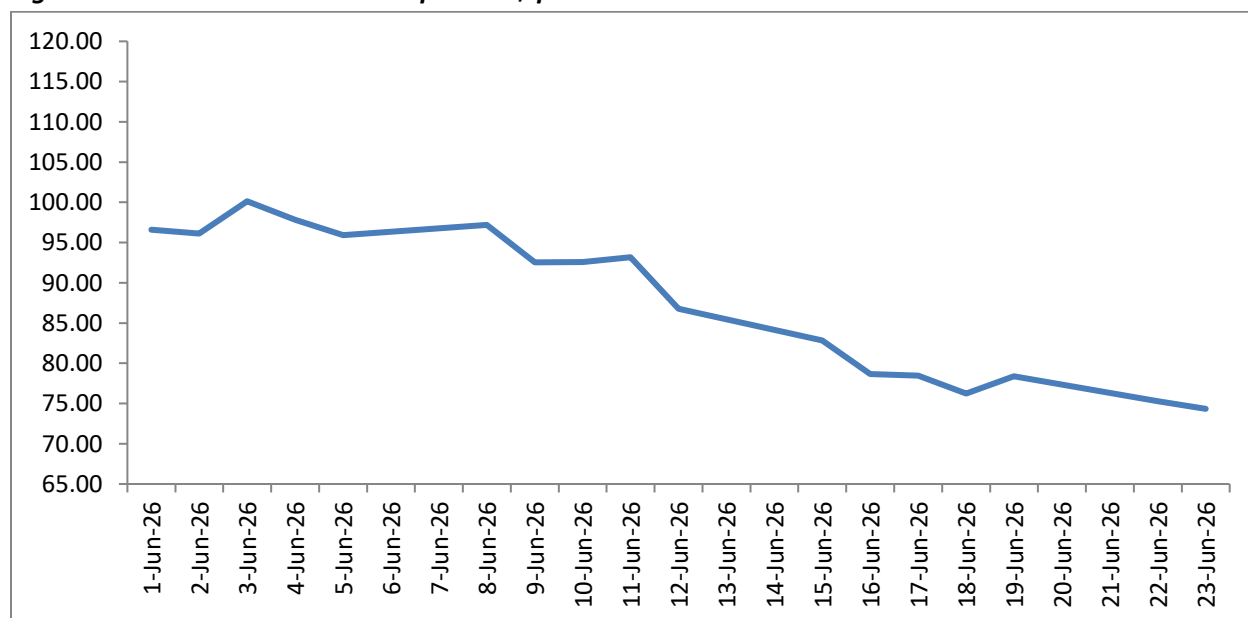
Table 3: Crude oil price in June, 2026

Crude oil	Price (\$/bbl)	MoM (%) change	YoY (%) change
Brent	87.06	-17.1%	24.1%
WTI	84.12	-14.9%	23.0%
Dubai	88.44	-13.7%	27.5%

Source: World Bank

Indian Basket Crude oil price

Figure 18: Indian crude oil basket price in \$ per bbl



Source: PPAC

- Indian crude basket price averaged \$87.83 per barrel in June 2026, down by 17.3% on Month on Month (M-o-M) and up by 25.2% on a year on year (Y-o-Y) basis, respectively.

Oil production situation

- Non-DoC liquids production (i.e. liquids production from countries not participating in the Declaration of Cooperation) is forecast to grow by about 0.6 mb/d, y-o-y, in 2026, unchanged from last month's

assessment. The main drivers of liquids production growth are expected to be Brazil, the US, Canada, and Argentina.

- In 2027, non-DoC liquids production is forecast to grow by about 0.6 mb/d, also unchanged from last month's assessment. The growth will mainly be driven by Qatar, Brazil, Canada, and Argentina. Natural gas liquids (NGLs) and non-conventional liquids from countries participating in the DoC are forecast to increase by about 0.1 mb/d, y-o-y, to average 8.8 mb/d in 2026. Additional growth of about 0.1 mb/d, y-o-y, is forecast for 2027, to average about 8.9 mb/d. In May, crude oil production by countries participating in the DoC decreased by 0.19 mb/d, m-o-m, to average about 33.13 mb/d, according to available secondary sources.

Table 4: Non-DoC liquids production in 2026, mb/d

Non-OPEC liquids production	2025	1Q26	2Q26	3Q26	4Q26	2026
Americas	28.29	27.95	28.41	28.82	29.04	28.56
<i>of which US</i>	22.22	21.78	22.40	22.60	22.69	22.37
Europe	3.63	3.76	3.59	3.54	3.65	3.64
Asia Pacific	0.41	0.39	0.38	0.39	0.38	0.39
Total OECD	32.32	32.10	32.39	32.74	33.07	32.58
China	4.62	4.74	4.68	4.57	4.57	4.64
India	0.82	0.82	0.82	0.82	0.83	0.82
Other Asia	1.64	1.64	1.63	1.61	1.61	1.62
Latin America	7.55	8.11	8.04	8.09	8.22	8.12
Middle East	1.99	1.63	1.59	1.95	1.96	1.78
Africa	2.27	2.24	2.23	2.24	2.31	2.25
Other Eurasia	0.36	0.35	0.35	0.36	0.36	0.36
Other Europe	0.09	0.09	0.09	0.09	0.09	0.09
Total Non-OECD	19.34	19.62	19.43	19.73	19.94	19.68
Total Non-DoC production	51.66	51.73	51.82	52.47	53.01	52.26
Processing gains	2.54	2.57	2.57	2.57	2.57	2.57
Total Non-DoC liquids production	54.20	54.30	54.39	55.04	55.58	54.83

Source: OPEC monthly report, June 2026

- From the above table, it can be inferred, that the total non-DoC liquids production is expected to reach 54.83 mb/d by 2026.
- The non-DoC liquids production (i.e. liquid production countries not participating in the Declaration of Cooperation) is forecast to grow by about 0.6 mb/d, y-o-y, in 2026.

Oil demand situation

- The global oil demand is forecast to grow by a healthy 1.0 mb/d in 2026, y-o-y. The OECD demand is forecast to grow by 0.1 mb/d, while the non-OECD demand is forecast to grow by about 0.9 mb/d.
- Global oil demand in 2027 is forecast to grow by about 1.7 mb/d, y-o-y, following an upward revision of about 0.2 mb/d. The OECD is forecast to grow by 0.2 mb/d, while the non-OECD is forecast to grow by about 1.5 mb/d.

Table 5: World Oil demand, mb/d

	2025	1Q26	2Q26	3Q26	4Q26	2026	Growth	%
Total OECD	45.95	45.68	45.31	46.63	46.39	46.01	0.06	0.13
<i>~ of which US</i>	<i>5.65</i>	<i>5.85</i>	<i>5.71</i>	<i>5.54</i>	<i>6.08</i>	<i>5.80</i>	<i>0.14</i>	<i>2.65</i>
Total Non-OECD	59.21	60.24	58.86	59.94	61.43	60.12	0.91	1.54
<i>~ of which India</i>	<i>5.65</i>	<i>5.85</i>	<i>5.71</i>	<i>5.54</i>	<i>6.08</i>	<i>5.80</i>	<i>0.14</i>	<i>2.65</i>
<i>~ of which China</i>	<i>16.88</i>	<i>17.24</i>	<i>16.65</i>	<i>17.26</i>	<i>17.29</i>	<i>17.11</i>	<i>0.22</i>	<i>1.36</i>
Total world	105.16	105.92	104.17	106.57	107.82	106.13	0.97	0.92

Source: OPEC monthly report, June 2026

Global petroleum product prices

USGC refining margins against WTI dropped for the second consecutive month, but retained most of the robust gains attained in March. Despite this drop, the May USGC margins remained elevated, positioned well above the historic normal range, and were up \$21.80/b (+160%), y-o-y. Middle distillates continued to represent the main source of weakness, as their crack spreads, particularly those of jet/kerosene, corrected downwards from the atypical highs registered in March. Naphtha added another layer of weakness, as rising refinery runs following the heavy maintenance season suggested relief from previous product-market tightness. On the other hand, gasoline markets are strengthening as the driving season begins and road transport activity rises.

This pressured gasoline stocks, with inventory levels already positioned at historic lows ahead of the peak driving season. This also partly supported high-sulphur fuel oil margins, firm conversion economics and feedstock blending requirements. The upside in gasoline and fuel oil likely prevented further losses in USGC refining economics.

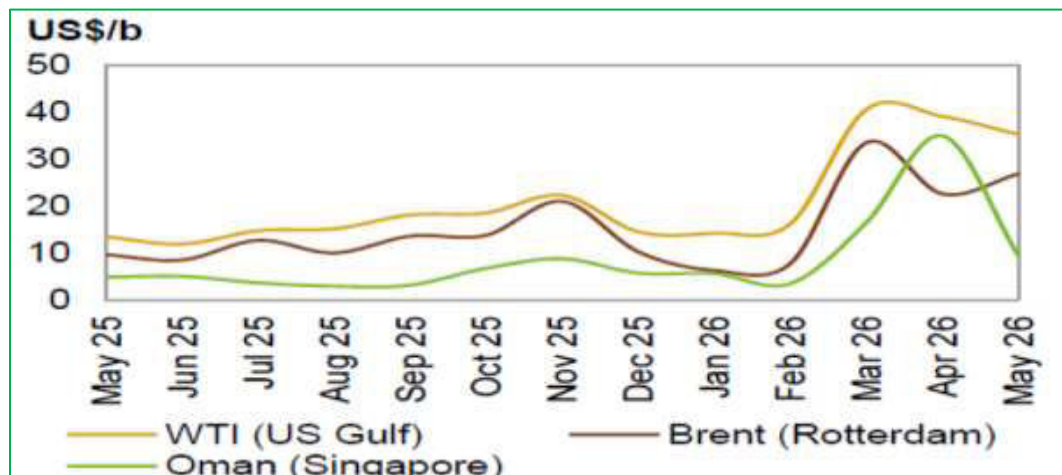
According to preliminary data, refinery intake in the USGC increased by 810 tb/d, m-o-m, to average 16.94 mb/d in May. USGC margins against WTI averaged \$35.19/b, down \$3.83, m-o-m, but up \$21.80, y-o-y.

Rotterdam refinery margins against Brent moved in the opposite direction to those observed in the USGC and Singapore. The monthly rise was notable but represented a partial recovery from the drop registered in the previous month. Despite this m-o-m improvement, the May margin level still remained below the multi-year high seen in March. According to S&P Global data published on 4 June, total Amsterdam-

Rotterdam-Antwerp (ARA) oil product stocks declined 3.7%, m-o-m, and 20.3%, y-o-y, in May. This pressure on total product availability was largely driven by fuel oil and gasoline, which accounted for 51.2% and 45.5% of the monthly decline in total ARA product stocks, respectively.

According to preliminary data, May refinery runs in EU-14, Norway and the UK decreased by 80 tb/d to an average of 9.42 mb/d. Refinery margins against Brent in Europe averaged \$26.76/b in May, which was \$4.26 higher, m-o-m, and \$17.20 higher, y-o-y.

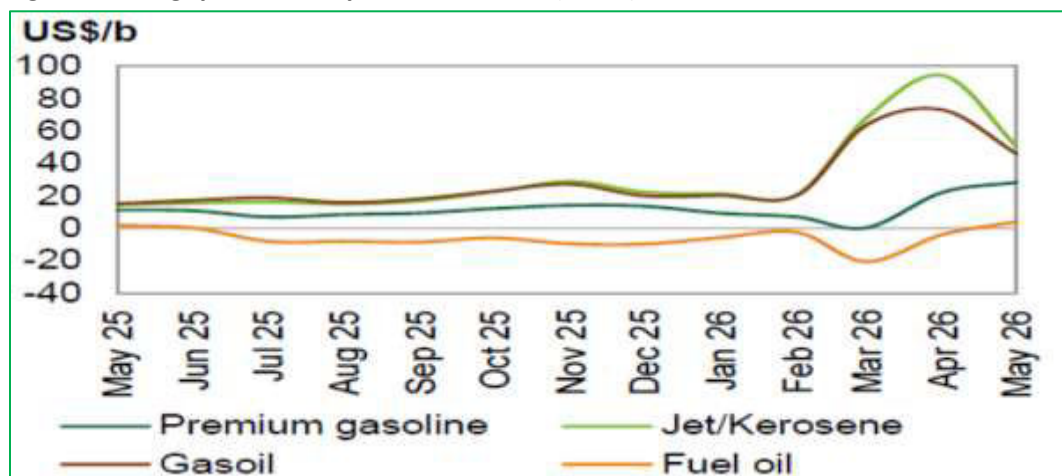
Figure 19: Refining Margins (\$/bbl)



Source: Argus and OPEC

The Southeast Asia 92 gasoline crack spread against Dubai rose as previous regional refinery output constraints put pressure on availability. However, an improvement in gasoline output going forward is expected to expand regional balances, which could pose downside risks to gasoline markets if exports beyond Asian borders remain subdued. The margin averaged \$28.41/b in May, up \$6.17/b, m-o-m, and up \$17.03/b, y-o-y.

Figure 20: Singapore crack Spreads vs. Dubai (\$/bbl)



Source: Argus and OPEC

The Singapore gasoil crack spread eased further as the global bullish sentiment in gasoil markets continued to diminish in May. Despite recent regulatory measures that may keep refinery runs somewhat suppressed in China and India, firm product supplies in the rest of Asia are providing partial relief from the previous regional shortage. The Singapore gasoil crack spread against Dubai averaged \$46.00/b, down \$27.03/b, m-o-m, but up \$30.83/b, y-o-y.

Table 6: Singapore FOB, refined product prices (\$/bbl) in May 2026

Singapore product prices	Price (\$/b)	MoM (%) change	YoY (%) change
Naphtha	105.38	-13.7%	71.3%
Premium gasoline (unleaded 95)	131.44	-1.3%	71.5%
Regular gasoline (unleaded 92)	129.70	1.5%	73.1%
Jet/Kerosene	151.85	-24.0%	94.5%
Gasoil/Diesel (50 ppm)	152.63	-20.4%	93.0%
Fuel oil (180 cst 2.0% S)	142.20	-19.3%	83.8%
Fuel oil (380 cst 3.5% S)	105.24	3.5%	61.2%

Source: OPEC

Petroleum products consumption in India

Monthly Review:

- Overall consumption of all petroleum products in May 2026 with a volume of 19.93 MMT registered de-growth of 6.46% on volume of 21.31 MMT in May 2025.
- MS (Petrol) consumption during the month of May 2026 with a volume of 3.91 MMT recorded a growth of 3.38% on volume of 3.78 MMT in May 2025.
- HSD (Diesel) consumption during the month of May 2026 with a volume of 8.73 MMT recorded growth of 1.58% on volume of 8.59 MMT in the month of May 2025.
- LPG consumption during the month of May 2026 with a volume of 2.13 MMT registered de-growth of 20.48% over the volume of 2.68 MMT in the month of May 2025.
- ATF consumption during May 2026 with a volume of 0.783 MMT registered a growth of 0.92% over the volume of 0.776 MMT in May 2025.
- Bitumen consumption during May 2026 with a volume of 0.519 MMT registered de-growth of 39.44% over volume of 0.857 MMT in the month of May 2025.
- Kerosene consumption registered de-growth of 17.81% during the month of May 2026 as compared to May 2025.

Table 7: Petroleum products consumption in India, May 2026 and Year till Date (YTD)

Consumption of Petroleum Products (P)	Monthly			Year till Date	
	Consumption in '000 MT	MoM (%) change	YoY (%) change	Consumption in '000 MT	YoY (%) change
LPG	2,132	-3.5%	-20.5%	4,342	-16.91%
Naphtha	667	-12.5%	-29.4%	1,429	-24.01%
MS	3,910	6.1%	3.4%	7,594	5.01%
ATF	783	1.5%	0.9%	1,554	0.44%
SKO	32	12.5%	-17.8%	60	-6.83%
HSD	8,728	4.8%	1.6%	17,059	1.22%
LDO	47	2.7%	-42.7%	92	-44.93%
Lubricants & Greases	382	5.6%	5.0%	743	-2.46%
FO & LSHS	625	28.5%	24.0%	1,111	11.29%
Bitumen	519	-10.5%	-39.4%	1,099	-36.09%
Petroleum coke	1,604	-4.1%	-11.4%	3,276	-2.84%
Others	502	-6.0%	-42.6%	1,037	-39.43%
TOTAL	19,930	2.4%	-6.5%	39,397	-5.14%

Source: PPAC

Year Till Date: 1st April 2026 – 31st March 2027

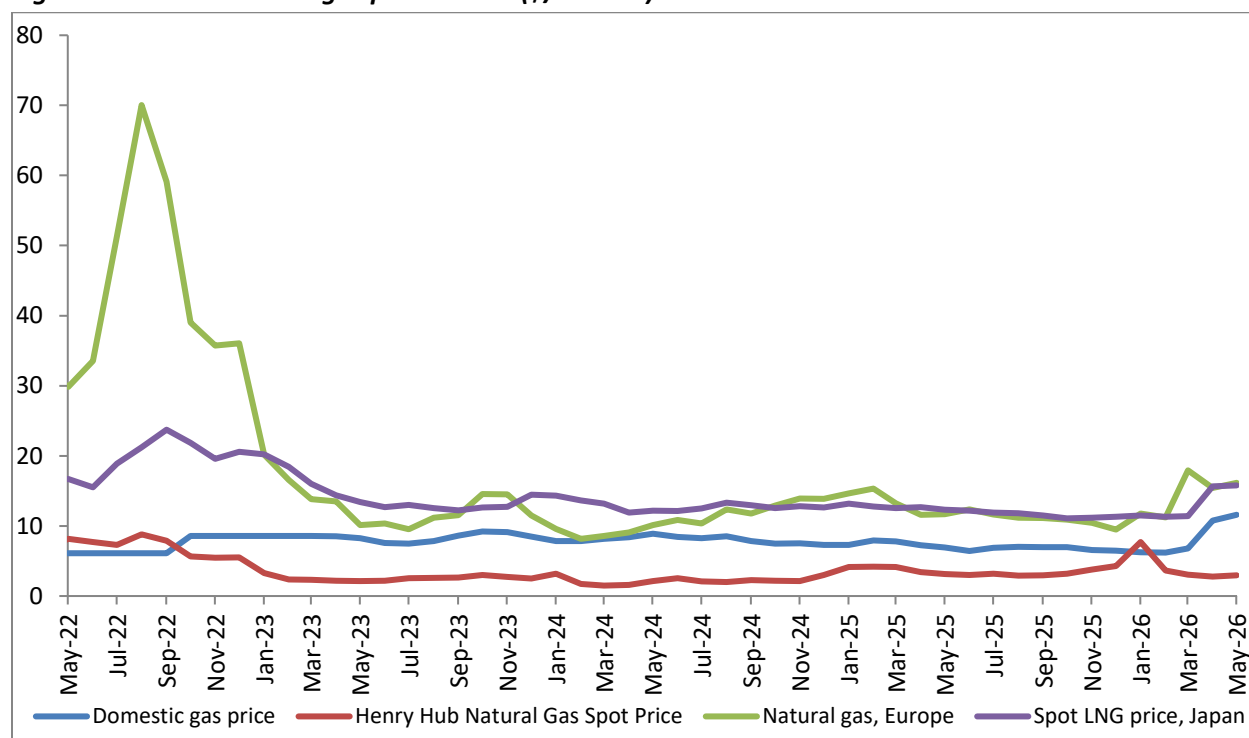
Natural Gas Market

Natural Gas Price – Monthly Review

- Natural Gas spot prices at the US Henry Hub benchmark averaged \$2.94 per million British thermal units (MMBtu) in May 2026. Henry Hub's natural gas prices rebounded in May after three consecutive months of declines. They rose by 5.8%, m-o-m, on the back of higher LNG demand amid supply disruptions from the Middle East. Moreover, seasonal maintenance at several export terminals limited export capacity, adding upward pressure to prices. However, price gains were limited by higher storage levels amid the injection season. According to data from the US Energy Information Administration (EIA), average weekly underground storage rose by 16.2%, m-o-m. Prices were down by ~5.8%, y-o-y.
- Natural gas spot price at the Title Transfer Facility (TTF) in the Netherlands in Europe traded at an average of \$16.17 per MMBtu. The average Title Transfer Facility (TTF) price increased by 4.9%, m-o-m, in May. Prices rose on the back of a higher geopolitical risk premium amid continued disruptions in the Middle East and competition for LNG cargoes from Asian markets. Moreover, gas storage levels remained significantly below seasonal averages. According to data from Gas Infrastructure Europe, EU storage levels rose to 40.1% as of the end of May, up from 32.5% the previous month, but remained below the 50% threshold and were down 8 percentage points compared with the same period last year. Softer residential demand amid mild weather conditions partially mitigated price increases, which were up by ~38.6%, y-o-y.
- Japan Liquefied Natural Gas Import Price averaged at \$15.77 per MMBtu for May 2026. There is a change of 0.8% from last month and 28.0% from one year ago.
- The Union Cabinet has approved a new formula for pricing of natural gas and imposed cap or ceiling price on the same. Natural gas produced from legacy or old fields, known as APM gas, will now be indexed to crude oil prices. From April 1 2023, APM gas will be priced at 10% of the price of basket of crude oil that India imports. The rate such arrived at however will be capped at US\$ 6.50 per MMBTU. The price such arrived at will also have a floor of US\$4 per MMBTU. As per notification dated 31st March 2025, the APM gas price has been raised to US\$ 6.75 per MMBTU, up from US\$ 6.50 per MMBTU. Further, as per notification dated 31st March 2026, the APM gas price has been raised to US\$ 7.00 per MMBTU.
- Further, in accordance with MoP&NG, Govt. of India, pricing freedom for gas being produced from discoveries in Deepwater, Ultra Deepwater and High Pressure-High Temperature areas, the gas price ceiling for the period 1st April, 2023 - 30th September, 2023 was notified as US\$ 12.12/MMBTU on Gross Calorific Value (GCV) basis as per notification dated 31st March, 2023. As per notification dated 30th September 2023, Gas price ceiling was further revised for the period 1st October, 2023 – 31st March, 2024 was notified as US\$9.96/MMBTU on Gross Calorific Value (GCV) basis. Prices were further revised for the period 1st April, 2024 – 30th September, 2024 was notified as US\$9.87/MMBTU on Gross Calorific Value (GCV) basis as per notification dated 31st March 2024. Accordingly, for the period 1st October, 2024 – 31st March, 2025 gas price ceiling

was further revised as US\$10.16/MMBTU on Gross Calorific Value (GCV) basis as per notification dated 30th September 2024. Now, as per notification dated 31st March 2025, Gas price ceiling was further revised for the period 1st April, 2025 – 30th September, 2025 was notified as US\$10.04/MMBTU on Gross Calorific Value (GCV) basis. Prices were further revised for the period 1st October, 2025 – 31st March, 2026 was notified as US\$9.72/MMBTU on Gross Calorific Value (GCV) basis as per notification dated 30th September 2025. As per notification dated 31st March 2026, gas prices were further revised for the period 1st April 2026 – 30th September 2026 and was notified as US\$ 8.90/MMBTU on Gross Calorific Value (GCV) basis.

Figure 21: Global natural gas price trends (\$/mmbtu)



Source: EIA, World Bank

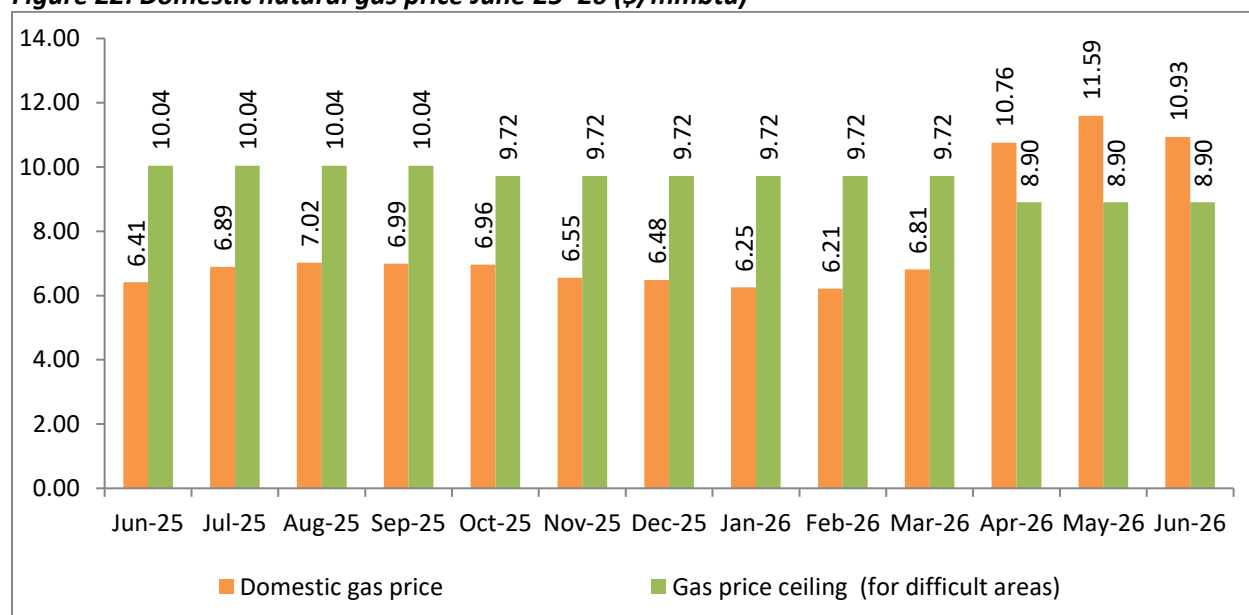
Table 8: Gas price, May 2026

Natural Gas	Price (\$/MMBTU)	MoM (%) change	YoY (%) change
India, Domestic gas price (June'26)	10.93	-5.69%	70.51%
India, Gas price ceiling – difficult areas (Apr'26-Sep'26)	8.90	-8.44%	-11.35%
GIXI (Gas index of India) price*	18.5	12%	74%
Henry Hub	2.94	6.1%	-5.8%
Natural Gas, Europe	16.17	4.9%	38.7%
Liquefied Natural Gas, Japan	15.77	0.8%	28.0%

Source: EIA, PPAC, World Bank, IGX

*Prices are weighted average prices (data excluding ceiling price gas, LNG & LDC)

Figure 22: Domestic natural gas price June'25–26 (\$/mmbtu)



Source: PPAC

Indian Gas Market

- Net production of natural gas for the month of May 2026 was 2795 MMSCM which was higher by 1.67% compared to April 2026.
- Total Import of LNG during the month of May 2026 was 2604 MMSCM which was 5.6% higher than April 2026.
- Total Gas Consumption during May 2026 was 5399 MMSCM which was 3.55% higher than April 2026.

Key developments in Oil & Gas sector

Monthly Production Report for May 2026

1. Production of Crude Oil

Indigenous crude oil and condensate production during May 2026 was 2.3 MMT. Around 77.7% of production came from Nomination Fields, 12.3% from Pre-NELP Fields and 9.9% from NELP Fields, during May 2026. There is a de-growth of 4.3% in crude oil and condensate production during May 2026 as compared with the corresponding period of the previous year.

2. Production of Natural Gas

Net production of natural gas for the month of May 2026 was 2795 MMSCM which was higher by 1.67% compared to April 2026.

3. Crude Oil Processed (Crude Throughput)

Total Crude oil processed during May 2026 was 22 MMT, which is -5.4% lower than May 2025, out of which PSU/JV refiners processed 16 MMT and private refiners processed 6 MMT of crude oil. Total indigenous crude oil processed was 2 MMT and total Imported crude oil processed was 20 by all Indian refineries (PSU+JV+PVT). There was a de-growth of -3.8% in total crude oil processed in April-May during current Financial Year as compared to same period of previous Financial Year.

4. Production of Petroleum Products

Production of petroleum products was 22.3 MMT during May 2026, which is -8.2% lower than May 2025. Out of 22.3 MMT, 22 MMT was from refinery production & 0.3 MMT was from fractionator. There was a de-growth of -4.3% in production of petroleum products in April-May FY 2025 – 26 as compared to same period of FY 2024–25. Out of total POL production in May 2026, share of major products including HSD is 43.5%, MS 17.5%, Naphtha 6.5%, ATF 5.6%, Pet Coke 4.7%, LPG 6.3%, and rest is shared by Bitumen, FO/LSHS, LDO, Lubes & others.

Key Policy developments/Significant news in Energy sector

1. Flex Fuel Vehicles offer India a practical solution to reduce crude oil imports, provide additional income to Indian farmers, and advance low-carbon mobility: Sh. Hardeep Singh Puri

Flex Fuel Vehicles offer India a practical solution to reduce crude oil imports, strengthen the rural economy through ethanol demand, and advance low-carbon mobility, Union Minister for Petroleum and Natural Gas Shri Hardeep Singh Puri said during the Launch of Hero MotoCorp's First Flex-Fuel Motorcycle in New Delhi. Union Minister for Road, Transport and Highways, Shri Nitin Gadkari was also present during the event.

Sh. Puri described the launch as a new chapter in India's energy history, with the introduction of new motorcycles compatible with ethanol blends from E20 to E85. He added that the launch of the Splendor+ and HF Deluxe Flex Fuel motorcycles marks India's entry into mass-market flex-fuel mobility with Aatmanirbhar vehicles. 'भारत की बाइक, भारत का ईंधन!'

India has one of the world's largest two-wheeler ecosystems with an active two-wheeler fleet of over 300 million vehicles. The flex-fuel technology has the potential to transform mobility at an unprecedented scale. Today's historic launch is a defining moment in India's mobility and ethanol blending quest which was at just 1.5% in 2014 and has now achieved 20% blending, even as we look beyond, the minister further added. It will help reduce our energy imports bill and continue to provide an additional source of income to our farmers who have become Urjadas from only being the country's Annadas.

Minister said that India's future mobility ecosystem will combine EVs, biofuels, hydrogen and renewables in a manner suited to Indian realities. He noted that India currently imports nearly 88.5% of its crude oil requirement, making the economy and energy security vulnerable to geopolitical disruptions.

The ethanol blending program of Government of India, since ESY 2014-15 has saved India ₹1.84 lakh crore in foreign exchange, resulted in 302 lakh metric tonnes crude oil substitution and 909 lakh metric tonnes reduction in CO₂ emissions. The significant output is that the program has added ₹1.58 lakh crore earnings to farmers turning our Annadas to Urjadas. The Minister said that even 1% adoption of annual petrol vehicle sales in India during ESY 2026-27 would generate a demand for 4 crore litres of ethanol in which payments of about ₹266 crore will be made to distilleries and save us ₹195 crore in foreign exchange. This would lead to reduction of approximately 0.28 lakh metric tonnes of crude oil imports, and a net CO₂ reduction of nearly 0.86 lakh metric tonnes.

Importantly, around ₹160 crore would flow directly to Indian farmers, instead of going out of the country for oil imports. He said the impact would become transformational as flex-fuel technology scales across India's vast two-wheeler ecosystem. E-85 Flex fuels offer several benefits such as lower vehicle manufacturing cost, minimal infrastructure capex, faster rollout (~10-15x faster than EV network). Electric vehicles are also highly import dependent for battery components, and generate significant upstream carbon emissions.

In contrast, Flex fuel vehicles depend on homegrown biofuels and avoid the battery related emissions, making them Completely Atmanirbhar and resulting in lower carbon footprint. Further, Flex fuel demand would provide immediate income support to our farmers through increased demand for ethanol feedstock.

Sh. Puri further stated that Flex-fuel mobility must also make economic sense for consumers. Studies indicate that if E85 fuel is priced appropriately lower compared to E20, consumers can recover the cost of the vehicle within approximately three years through fuel savings achieved due to the lower price of fuel. The Minister added that the Government is actively examining supportive policy frameworks to accelerate affordable adoption.

Addressing common misconceptions about Flexi Fuel, the Minister clarified that India's E20 rollout followed extensive testing by SIAM, ARAI, IOCL and vehicle manufacturers. Global experience, including Brazil's successful adoption of higher ethanol blends, which I had the opportunity of witnessing during my posting to Brasilia between 2006-2008, demonstrates that flex-fuel mobility is proven, scalable and reliable, the minister further added.

Sh. Puri congratulated Hero MotoCorp for taking a pioneering step in this national journey. The company's new motorcycles are equipped with internal combustible engines and upgraded fuel systems that can operate on any blend of petrol and ethanol from E20 to E85. The minister added that supportive policies, including fuel pricing support and targeted incentives can speed up adoption, create affordability and position India as a global leader in flex- fuel mobility solutions.

2. Shri Hardeep Singh Puri holds talks with Venezuela's Acting President; Reaffirms Venezuela's importance in India's energy diversification strategy

Union Minister for Petroleum and Natural Gas Shri Hardeep Singh Puri called on H.E. Ms. Delcy Eloína Rodríguez Gómez, Acting President of the Bolivarian Republic of Venezuela, in New Delhi on 04 June 2026, along with the senior officials of the Ministry and Chairpersons of various Public Sector Oil companies. Both leaders discussed opportunities for building an enduring energy partnership between the two countries.

During the meeting, the Minister noted that India and Venezuela share a natural partnership rooted in a long-standing friendship between the two countries. He reaffirmed India's strong support for Venezuela's energy reconstruction, adding that Indian companies are ready to deepen their presence in Venezuela. Recognizing Venezuela's key role in India's energy diversification strategy, he conveyed India's keenness to deepen its energy trade with Venezuela.

Acknowledging India as a reliable partner of Venezuela, the Acting President welcomed Indian companies to actively participate in Venezuela's reformed oil and gas sector. She highlighted the complementarities that exist between India and Venezuela in the energy sector and invited an Indian delegation to visit Venezuela to explore opportunities for enhanced collaboration.

3. E85 rollout commences across 48 retail outlets of Public Sector OMCs; Save Money, Save Environment, Save Foreign Exchange!

Union Minister for Petroleum and Natural Gas Shri Hardeep Singh Puri launched E85 fuel at an IndianOil retail outlet in New Delhi on the occasion of World Environment Day 2026. Senior officials of the Ministry of Petroleum and Natural Gas, and CMDs of public sector OMCs were also present during the event.

E85 is a high-ethanol blended fuel comprising 80–85% ethanol and 14–19% petrol, specifically designed for use in flex-fuel vehicles. The initiative aims to facilitate the adoption of Flex-Fuel Vehicles (FFVs), which are capable of operating on ethanol blends from E20 to E100, without restricting consumers to a single blend.

The rollout commences across 48 Public Sector OMC's retail outlets (ROs) in the country, enabling flex-fuel vehicle users to access this cleaner fuel. The initiative is slated for nationwide expansion. The same would be scaled up to 500 ROs by December 2026 and about 5000 ROs by December 2027 and help raise India's aggregate ethanol blending levels to nearly 26 % by 2030-31.

Speaking at the event, the Minister said India has demonstrated its ability to successfully balance the "Energy Trilemma" of energy availability, affordability and sustainability, while ensuring stable fuel supplies, protecting consumers from global energy volatility to the maximum possible extent. He noted that India has one of the lowest increases of fuel prices since February 2026.

Highlighting that ethanol blending has increased from 1.53% in 2014 to 20% today, with the target achieved five years ahead of schedule, he stated that this transformation has helped save over ₹1.84 lakh crore in foreign exchange and substituted nearly 302 lakh metric tonnes of crude oil imports. This has been driven by the contribution of India's farmers, who have evolved from being the country's "Annadatas" to becoming its "Urjadas" as well.

Benefits of E85:

- E85 is priced nearly ₹20 per litre lower than conventional petrol to ensure that the economic benefits of domestically produced ethanol are passed on to consumers.
- Flex-fuel vehicles operating on E85 can reduce lifecycle greenhouse gas emissions by around 61 % compared to conventional petrol vehicles.
- With a Research Octane Number (RON) of about 108, ethanol offers superior knock resistance that allows engines to operate at higher compression ratios and optimized ignition timing.
- Higher ethanol blends promote cleaner and more complete combustion, resulting in near-zero particulate matter emissions contributing to improved urban air quality.

Elaborating further, the Minister stated that if 50 % of new two-wheelers and four-wheelers transition to flex-fuel vehicles, it could generate demand for over 312 crore litres of ethanol and result in nearly ₹12,403 crore flowing directly to farmers. He added that such a transition could also lead to annual foreign exchange savings of nearly ₹15,151 crore and reduction of CO2 emissions by 66.4 lakh metric tonnes.

Remarking that India's flex-fuel journey draws inspiration from proven global success while being tailored to the domestic aspirations and strengths, the Minister noted that Brazil has demonstrated the long-term viability of higher ethanol blends over decades, with over 80% of its light vehicle fleet currently operating on flex-fuel technology.

The Minister stated that the recent launch of flex-fuel compatible two-wheelers, four-wheelers and now E85 fuel marks India's transition from pilot initiatives towards a structured national flex-fuel ecosystem. He urged States to support the transition through enabling taxation policies for E85 fuel and flex-fuel vehicles.

Addressing the misconceptions surrounding ethanol-blended fuels, the Minister noted that:

- E85 fuel is meant exclusively for specially designed flex-fuel vehicles, not for normal petrol vehicles.
- Since E20 became the standard fuel across the country, there has not been a single reported case of engine failure or vehicle breakdown attributable to ethanol blending.
- E20-compatible vehicles deliver improved acceleration and better ride quality, particularly under city driving conditions.
- Usage of E20 fuel has no impact on the validity of vehicle insurance in India.

The Minister further noted that flex-fuel vehicles remain highly competitive with EVs due to their lower acquisition costs and ability to leverage existing fuel infrastructure. He noted that while EV technologies rely significantly on imported batteries and critical minerals, E85-powered vehicles run on domestically produced ethanol derived from the sweat and toil of Indian farmers.

Concluding his remarks, the Minister said, every litre of ethanol replaces imported fossil fuel and every drop of E85 carries with it the spirit of Atmanirbhar Bharat. “हर बूंद में भारत है, हर बूंद में हमारे किसान हैं, हर बूंद में भारत का भविष्य है” !

4. Government notifies control order to curb black marketing and hoarding of diesel by unscrupulous elements

The Ministry of Petroleum and Natural Gas has notified the "Motor Spirit and High-Speed Diesel (Temporary Regulation of Supply through Retail Outlets) Order, 2026" to curb black marketing and hoarding of diesel by unscrupulous elements. These regulations are temporary measures, initially valid for up to 90 days, ensuring diesel availability to all retail consumers.

The current situation is one of uneven extraordinary demand growth in some retail outlets due to shifting of bulk diesel volume to PSU Oil Marketing Retail Outlets. This is driven by industrial and direct or institutional and commercial consumers who have been shifting their procurement from their dedicated consumer pumps to retail outlets due to the difference between bulk and retail diesel prices. The other reason is that private Oil Marketing companies' sales exhibited a decline of around 58% in HSD sales during May 2026 due to higher prices fixed by them.

The data for the month of May 2026, as compared to the corresponding period last year, reveals a significant surge in diesel sales through PSU OMCs Retail outlets wherein 327 districts recorded more than 10% growth, with 80 districts seeing a growth exceeding 30%. The new regulatory measures are specifically designed to protect retail consumers from inconvenience caused by intermittent supply issues at retail outlets. These measures will not affect citizens in any way given the fact that for the average person driving a car or riding a two-wheeler, the 200-litre cap is far beyond what any private vehicle would need.

The measures are aimed at large/bulk consumers who should not be procuring diesel from Retail Outlets to take undue advantage of the price arbitrage. Blatant instances of procurement of large quantities of diesel in jerry cans, and its resale have come to the notice of Government. This order will enable strict action against such buyers/operators, dealers and officers who are involved in this black marketing and hoarding of diesel. Prohibiting diversion of fuel from retail outlets to bulk consumers essentially means more supply stays in the system for the retail customers.

To protect retail consumers during the ongoing West Asia disruption, PSU Oil Marketing Companies (OMCs) are currently absorbing losses of around ₹500 crore per day on the sale of petrol, diesel and domestic LPG. This graduated price support is intended to protect retail consumers and ensure affordability of fuel for households, farmers and other end-users. This support is not meant for industrial and bulk supplies, where pricing continues to track international market prices, resulting in retail diesel being around ₹40 per litre cheaper than bulk diesel. The diversion of High-Speed Diesel (HSD) by bulk consumers has led to localized supply issues and potential disruptions for bona fide retail customers and essential services.

Pursuant to this order, now the Central Government have issued directions to Public Sector Oil Marketing Companies, namely Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited to ensure the following:

- Retail outlets will dispense diesel only into vehicle tanks or PESO approved containers, with a maximum limit of 200 litres per day per customer/vehicle. Diesel purchased at retail outlets cannot be resold.
- Industrial and direct or Institutional and commercial customers are prohibited from procuring fuel from retail outlets and must source their requirements through consumer pumps.
- Oil Marketing Companies (OMCs) and Retail Outlet Dealers will be responsible for ensuring compliance with the prescribed restrictions and preventing any attempts to circumvent the provisions of the Order.
- State governments and Union Territory administrations have been directed to take necessary actions against any malpractices, such as black marketing or unauthorized diversion, to ensure the interests of the common man are protected

Violations of the Order will be subject to penalties and other legal action as provided under the Essential Commodities Act, 1955 and applicable laws. The "Motor Spirit and High-Speed Diesel (Temporary Regulation of Supply through Retail Outlets) Order, 2026" is explicitly defined as a temporary measure designed to address specific, current market challenges.

5. Government Restores Non-Domestic packed LPG Supplies to Pre-Crisis Levels; Sectoral Supply Restrictions Withdrawn

In a major relief to industrial and commercial LPG consumers, Government has removed all sectoral restrictions on the supply of Non-Domestic Packed LPG and restored supplies to the levels prevailing prior to the West Asia crisis. Further, the supply of bulk LPG, which had been suspended at the onset of the crisis, has been relaxed by 50% of the pre-crisis consumption levels providing significant relief to commercial and industrial consumers. The restoration follows the recent improvement in the LPG supply situation.

During the West- Asia crisis, to augment domestic LPG production, the Government had issued orders under the Essential Commodities Act requiring C3-C4 streams to be utilised exclusively for LPG production, diverting them from petrochemical and other downstream uses.

Taking note of the improved indigenous LPG production and the projected availability of imported LPG cargoes, Government has also decided to reduce the diversion of C3/C4 streams to LPG pool.

The enhanced allocation of C3-C4 streams for non-LPG uses will be implemented while ensuring that the domestic LPG availability remains unaffected and aggregate indigenous LPG production is maintained at not less than 40 TMT per day.

Centre of High Technology under the ministry has been directed to issue organisation wise allocation of this enhanced C3/C4 streams for the petrochemical and other critical sectors and submit regular reports to the Ministry.

Since the onset of global supply disruptions arising from the West Asia crisis, Government has accorded the highest priority to ensuring uninterrupted availability of LPG to domestic consumers across the country. In line with this, temporary restrictions were imposed on the supply of commercial packed LPG. The timely policy interventions and coordinated efforts by Oil Marketing Companies (OMCs) helped maintain stable supplies despite challenging global supply chains.

The Government has directed Oil Marketing Companies to continue maintaining comprehensive data on commercial and industrial LPG consumers to facilitate efficient planning and supply management. A unified sectoral database will also be maintained across the OMCs to strengthen monitoring and operational coordination.

At the same time, the Government remains committed to expanding PNG connectivity. Commercial and bulk consumers who have already shifted to Piped Natural Gas (PNG) will continue to remain on PNG. Other eligible LPG consumers having access to the PNG network, or those in the process of shifting to PNG, will be progressively transitioned to PNG in coordination with City Gas Distribution (CGD) entities.

6. Ministry of Petroleum and Natural Gas approves Rs 150 Cr assistance for India's first private hybrid 2G ethanol project in UP

In a significant step towards India's circular bioeconomy, the Ministry of Petroleum and Natural Gas (MoPNG), under the PM JI-VAN Yojana, has approved financial assistance of Rs 150 crore for India's first private-sector Hybrid 2G Ethanol Project in Uttar Pradesh. The project is designed to produce sustainable second-generation (2G) ethanol from sugarcane bagasse and other agricultural residues, creating a pathway to convert agricultural waste into clean transportation fuel.

As India advances its ethanol blending programme, the focus is shifting towards feedstocks that do not compete with food production. While conventional ethanol is largely produced from sugar and grain-based feedstocks, next-generation biofuel technologies enable the use of agricultural residues such as bagasse, crop stalks and other biomass wastes that are often underutilized or openly burned. The 91 KLPD integrated biorefinery will utilize agricultural residues as its primary feedstock and demonstrate an innovative waste-to-fuel pathway built on three complementary technologies.

The process begins with agricultural residues such as sugarcane bagasse. Using Ankur Scientific's biomass gasification technology, the biomass is converted into clean synthesis gas (syngas), a mixture of carbon monoxide, hydrogen and carbon dioxide. This syngas then becomes the feedstock for LanzaTech's proprietary gas fermentation platform, where naturally occurring microorganisms convert the gaseous carbon into ethanol. Unlike conventional ethanol production that relies on sugars or starches, this approach enables the production of ethanol from biomass residues that would otherwise have limited economic value.

The project brings together the expertise of Spray Engineering Devices Limited (SED), which is responsible for engineering, development and execution of the integrated biorefinery; Ankur Scientific Energy Technologies, which provides the biomass-to-syngas conversion platform; and LanzaTech, whose gas fermentation technology converts syngas into sustainable ethanol.

Ankur Jain, Managing Director, Ankur Scientific, said in a statement, "India's agricultural sector generates vast quantities of biomass residues every year. The challenge is not the availability of biomass, but the ability to efficiently convert it into valuable products. Gasification enables us to transform agricultural waste such as bagasse into clean syngas, creating the foundation for next-generation fuels. By integrating biomass gasification with advanced gas fermentation technologies, projects such as this demonstrate how agricultural residues can become an important source of sustainable ethanol without competing with food resources. This represents an important step towards building a circular bioeconomy powered by indigenous innovation.

Beyond ethanol production, the project highlights the potential of agricultural residues as a strategic resource for India's energy transition. As the country explores higher ethanol blending levels and seeks to strengthen energy security, technologies capable of converting waste biomass into fuels, chemicals and other low-carbon products are expected to play an important role.

7. Government withdraws temporary restrictions on sale and distribution of Petrol and Diesel

The Ministry of Petroleum and Natural Gas has withdrawn the temporary regulatory measures governing the sale and distribution of Motor Spirit (MS) and High Speed Diesel (HSD) through retail outlets of Public Sector Oil Marketing Companies with effect from 1st July, 2026.

During the period of disruptions arising from the West Asia crisis, the Government continued to shield retail consumers from the sharp increase in international fuel prices by maintaining stable retail prices of petrol and diesel. This led to a significant price difference between retail fuel prices and those applicable to bulk consumers. Consequently, certain industrial, commercial and institutional consumers began procuring fuel through retail outlets, leading to instances of diversion, hoarding and black marketing, which affected the equitable distribution of fuel.

To address this situation, the temporary regulatory measures, introduced on 12th June, 2026, prescribed a temporary limit of 200 litres of High Speed Diesel (HSD) per customer/vehicle per day at retail outlets and required industrial, institutional and commercial consumers to procure fuel through designated consumer pumps instead of retail outlets. The measures were aimed at preventing black marketing, hoarding and diversion of diesel while ensuring uninterrupted availability of petrol and diesel to retail consumers.

Following a review of the supply situation of petroleum products in the country, the Government has concluded that the temporary regulatory measures are no longer required in the public interest. Accordingly, the Order dated 12th June, 2026 stands withdrawn with effect from 1st July, 2026.

The temporary measures helped ensure adequate availability of petrol and diesel across the country while safeguarding the interests of retail consumers. Their withdrawal reflects the improvement in the supply situation and the restoration of normal supply arrangements.

8. India Hosted the 11th BRICS Energy Ministers' Meeting in Gurugram under BRICS Chairship 2026

The 11th BRICS Energy Ministers' Meeting was successfully convened on 25 June 2026 in Gurugram, Haryana, under India's BRICS Chairship 2026 under the overarching theme "Building for Resilience, Innovation, Cooperation and Sustainability."

The meeting brought together Energy Ministers, Vice Ministers, and senior officials from BRICS member countries to deliberate on key global energy challenges and opportunities and to advance practical cooperation across the energy sector. Representatives from leading international organizations, including the International Solar Alliance (ISA), the Global Biofuels Alliance (GBA) the New Development Bank (NDB), also participated in the deliberations.

Guided by the Energy Track theme "सर्वेषां ऊर्जम् (Energy for All)", the discussions focused on three priority areas:

Priority 1: Energy Security and Sustainability, focusing on resilient energy systems, diversified energy sources, critical minerals, supply chain resilience, grid modernization, energy storage, and secure, affordable energy supplies.

Priority 2: Energy Access and Equity, focusing on universal access to affordable, reliable, sustainable and modern energy, clean cooking solutions, affordable financing, capacity building, and support for emerging markets and developing economies.

Priority 3: Technology and Innovation, focusing on smart grids, energy storage, hydrogen value chains, digitalization of energy systems, artificial intelligence, energy efficiency, biofuels, carbon capture technologies, and strengthening research and innovation cooperation across BRICS countries.

BRICS Energy Ministers reaffirmed the importance of respecting national circumstances, development priorities and energy pathways.

The meeting concluded with the adoption of the 11th BRICS Energy Ministers' Joint Communiqué, reflecting the collective vision and consensus of BRICS countries on strengthening cooperation in the areas of energy security, sustainability, innovation, resilient infrastructure and capacity building.

India's Energy Transformation and Global Leadership

Addressing the Ministerial Meeting, Union Minister of Power and Housing & Urban Affairs Shri Manohar Lal highlighted that energy remains fundamental to economic growth, social progress and human development. He emphasized that developing countries require adequate time, resources and policy space to pursue sustainable development while meeting the legitimate aspirations of their people. He underlined India's commitment to building resilient, future-ready and people-centric energy systems guided by the principle of "सर्वेषां ऊर्जम्" - Energy for All.

The Minister showcased India's energy transformation over the last decade, noting that the country has emerged as the world's third-largest producer and consumer of electricity, with installed power capacity reaching nearly 540 GW and non-fossil sources accounting for more than half of the installed capacity. He highlighted India's rapid clean energy expansion, with solar capacity increasing from about 3 GW in 2014 to more than 154 GW today, and underscored the role of flagship initiatives such as PM Surya Ghar: Muft Bijli Yojana in accelerating rooftop solar adoption and promoting citizen participation in the energy transition.

9. Approval of Merger scheme by Board of Directors of PFC and REC

The Board of Directors of Power Finance Corporation Limited (PFC) and REC Limited (REC) approved the Scheme of Merger (Scheme) for merger of REC (Transferor Company) into PFC (Transferee Company) and their respective shareholders and creditors, under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013. The merger of REC into PFC shall create a financing entity with an aggregate loan book of over INR 11 lakh crore.

The Scheme is conditional upon and subject to, inter-alia receipt of all requisite approvals and consents required under applicable law including, approvals from the respective shareholders and creditors of both the companies, and all relevant regulatory and governmental authorities; and the Merged Entity continuing to qualify as a 'Government Company' under the Companies Act, 2013 and the Government of India continuing to retain majority voting rights and control in the merged entity (directly or indirectly).

Pursuant to the Scheme and valuation report, the Share Exchange Ratio for the Proposed Merger of REC into PFC shall be 88 equity shares of PFC of INR 10/- each fully paid up for every 100 equity shares of REC of INR 10/- each fully paid up to be issued to the shareholders of REC as existing on a record date to be determined by the Boards of PFC and REC (as may be applicable) at a future date.

10. India cuts windfall tax on diesel, raises petrol tax from July

India has lowered windfall taxes on exports of diesel and aviation turbine fuel as global oil prices ease, while raising the duty on petrol exports, according to a government order.

The duty on diesel exports has been cut to 8.5 rupees per litre from 14 rupees, while the aviation turbine fuel duty has been set at 7.5 rupees/litre, down from 12.5 rupees. The export duty on petrol has been increased to 4 rupees per litre from 1.5 rupees to ensure domestic supply.

The new rates will apply from July 1, 2026. Oil prices have fallen sharply from peaks above \$126 per barrel, as easing geopolitical tensions and restored shipping flows through the Strait of Hormuz have reduced fears of prolonged supply disruptions.

Economists and analysts forecast Brent crude will average \$84.50 per barrel in 2026, against \$90.44 projected last month. At the time of imposition of the export levy, exemption was provided for exports of petrol, diesel and ATF made by public sector oil companies to Nepal, Bhutan, Bangladesh and Sri Lanka. The exemption has now been extended also to exports made by public sector oil companies to Mauritius and Maldives.

11. 75 Lakh Households Targeted for Rooftop Solar Installations by December 2026: Union New & Renewable Minister, Shri Pralhad Joshi

PM Surya Ghar: Muft Bijli Yojana has already crossed 40 lakh beneficiary households within 2 years and I am hopeful that by the end of 2026, we will cross 75 lakh households by December 2026, said Union Minister for New and Renewable Energy and Consumer Affairs, Food and Public Distribution, Shri Pralhad Joshi while participating in a fireside chat programme organised during 'Two years of PM Suryaghar Muft Bijli Yojana: Scaling the solar home to 1 crore rooftops'.

Shri Joshi said the Utility-Linked Aggregation (ULA) model is designed to accelerate implementation, particularly among underserved households. Under the model, around 30 lakh rooftop solar installations have already been planned across States, with utilities playing a key role in facilitating faster adoption and execution. He noted that the initiative will particularly benefit families consuming between 1 kW and 3 kW of electricity and help ensure wider access to affordable clean energy. With more than 65 lakh

applications already in the pipeline, the scheme is witnessing strong public participation and unprecedented momentum across the country.

The Union Minister said India's solar growth is accelerating rapidly. He highlighted that the first 50 GW took 96 months. The next 50 GW took 36 months and growth from 100 GW to 150 GW took only 14 months. Adding on he said that May 2026 was the strongest month since launch of PM Suryaghar Muft Bijli Yojana with a record 3.16 lakh rooftop solar installations in a single month and 15,000 households added in just one day.

The Minister reiterated that the pace of adoption has increased automatically from 118 days to add one lakh households to less than eight days today. He said more than ₹22,750 crore in subsidies has been dispersed, including ₹2,743 crore in May 2026 alone. "PM Suryaghar Muft Bijli Yojana is creating one of the world's largest residential solar markets while advancing India's clean energy transition and energy self-reliance," he said.

Shri Joshi said that at a time when the world is facing energy uncertainties due to the West Asia Crisis, initiatives like PM Suryaghar Muft Bijli Yojana are strengthening India's energy security and strategic resilience. He said rooftop solar installations have increased from about 7000 per month before the scheme to over three lakh per month today. More than 17 lakh households have achieved zero electricity bills, demonstrating direct savings from families.

The Minister is confident that by 2047, every household will have rooftop solar and said, "PM Suryaghar Muft Bijli Yojana will become people's movement." The Minister also said that looking ahead, we will integrate Battery Energy Storage Systems as storage costs decline and expand adoption through the Model Solar Village initiative.

Secretary New & Renewable Energy, Shri Santosh Kumar Sarangi along with other senior officers was also present during the event.

Launched on 13 February 2024 with an outlay of ₹75,021 crore, PM Surya Ghar: Muft Bijli Yojana has become the world's largest domestic rooftop solar programme. Over 1 crore households have registered on the National Portal, with more than 33 lakh rooftop systems installed as of May 2026, adding over 12 GW capacity. Rooftop solar now accounts for nearly 45% of residential solar capacity, with deployment growth rising to 85% during 2024–2026. The scheme contributes to India's progress towards its 500 GW non-fossil capacity target by 2030, with total solar capacity crossing 150 GW as of March 2026, while enhancing energy access and reducing subsidy burden on DISCOMs.

Shri Joshi launched PM Surya Ghar logo and WhatsApp bot. He felicitated PM Surya Ghar Awards to top-performing States/UTs, DISCOMs, banks, vendors, and other stakeholders, including outstanding performers during the "Month of Solar" campaign in May 2026.

The Union Minister also launched two reports by CEEW (Council on Energy, Environment and Water) (i) "What Drives Rooftop Solar Installation Decisions in Indian Homes? Understanding Household Decision Making through a Pan-India Survey", and (ii) "Maximising Rooftop Solar Performance by Enabling a Robust O&M Ecosystem – A Multi-Billion Market Opportunity in India's Residential RTS Segment", which

highlighted the need for improved maintenance and the potential to generate over 3.3 lakh jobs annually as deployment scales.

The programme also featured two high-level plenary sessions, focusing on the future trajectory of rooftop solar in India. The first plenary session, “From 40 Lakh to 1 Crore: The PM Surya Ghar Journey”, brought together senior representatives from the Ministries of New and Renewable Energy, Power and Finance, along with leading financial institutions, to deliberate on policy, financing and implementation priorities for scaling adoption to one crore households. The second plenary session, “Subnational Frontiers: Powering the State-Led Solar Surge”, convened senior state energy leaders to discuss cross-state learnings, innovative incentive models, and strategies to balance rooftop solar expansion with DISCOM sustainability and state-level energy priorities.

12. Government extends full customs duty exemption on critical petrochemical products in view of ongoing conflict in West Asia till 15th July 2026

The Government had earlier provided a full Customs Duty exemption on imports of critical petrochemical products till 30th June 2026, as a temporary and targeted relief in view of the conflict in West Asia and the consequent disruptions in global supply chains.

The exemption was provided to ensure sufficient availability of petrochemicals in the domestic market as Indian petroleum companies had been asked to concentrate on the production of LPG during this period. As the situation is gradually normalizing, to ensure a smooth and non-disruptive transition for the affected sectors, it has been decided to extend the said exemption by a further period of 15 days, that is, till 15th July 2026. The list of products covered remains the same as notified earlier.

The Government remains committed to supporting India's manufacturing sector. As before, the exemption is expected to benefit a wide range of sectors dependent on petrochemical feedstock and intermediates, including plastics, packaging, textiles, pharmaceuticals, chemicals, automotive components and other manufacturing segments. This will also provide relief to consumers of final products.

13. PM Modi's Vision Driving India's Transformation Towards Viksit Bharat: Union Minister Shri Pralhad Joshi

Prime Minister Shri Narendra Modi's vision and leadership over the past twelve years have transformed India into a global clean energy leader and accelerated the country's journey towards Viksit Bharat, Union Minister for New and Renewable Energy and Consumer Affairs, Food and Public Distribution, said by Shri Pralhad Venkatesh Joshi. He said India has moved from discussing renewable energy potential to delivering measurable outcomes on the ground, with rapid expansion in renewable energy capacity, manufacturing and citizen participation defining the country's clean energy transition.

Highlighting a major milestone in this journey, Shri Joshi released the Report on Floating Solar PV Potential Assessment of India, which estimates the country's floating solar potential at over 102 GWp and takes India's total assessed solar potential to 3,445 GWp. He said the Ministry is working on a dedicated scheme to promote floating solar deployment across the country.

Shri Joshi said that reservoirs and other water bodies are emerging as important assets for clean energy generation through floating solar projects. He added that these initiatives reflect the Government's commitment to harnessing natural resources in a sustainable and efficient manner while accelerating India's clean energy transition.

The Minister also launched the Online Portal for the Small Hydro Power Development Scheme, stating that it will enhance transparency and efficiency in implementation. He said the initiative marks the first major policy intervention in the small hydro sector since 2017.

Shri Joshi said that flagship programmes such as PM Surya Ghar: Muft Bijli Yojana and PM-KUSUM are expanding citizen participation in India's clean energy transition and accelerating the adoption of renewable energy across the country.

Shri Joshi highlighted that India has emerged as one of the world's leading solar markets, with non-fossil fuel capacity increasing from 81 GW in 2014 to 288 GW and solar capacity rising from 2.8 GW to 155 GW. He added that domestic solar manufacturing capacity has also expanded significantly, with module manufacturing reaching 192 GW and cell manufacturing capacity touching 30 GW.

The Minister said that India's clean energy achievements have earned global recognition and demonstrated the country's ability to deliver on ambitious climate and energy goals. He added that India has transformed from a power-deficit nation into a power-surplus nation while emerging as a major renewable energy manufacturing hub.

On the occasion, NISE and Military Engineering Services exchanged an MoU to strengthen the adoption of solar energy across defence establishments. Under the collaboration, NISE will provide technical support for planning, implementation and monitoring of renewable energy projects.

Shri Joshi also released the book "Green Energy and Sustainable Development" authored by Dr. Mohammad Rihan. He expressed confidence that the publication would serve as a valuable resource for students, researchers, policymakers and other stakeholders.

14. Union Minister Shri Pralhad Joshi Launched Green Hydrogen Certification Portal to Enhance Transparency in Green Hydrogen Sector

The Union Minister for New and Renewable Energy and Consumer Affairs, Food and Public Distribution, Shri Pralhad Joshi, launched the Green Hydrogen Certification Portal of India (GHCI) during the National Workshop on "Strengthening the National Green Hydrogen Mission: Through State Policies, Hubs & Infrastructure" organised by the Ministry of New and Renewable Energy. Developed by MNRE, the portal will facilitate transparent certification and regulatory compliance under the Green Hydrogen Certification Scheme of India.

Speaking on the theme "Strengthening the National Green Hydrogen Mission: Through State Policies, Hubs & Infrastructure", Shri Joshi requested States to actively participate in advancing the National Green Hydrogen Mission. He said six states have already notified dedicated Green Hydrogen Policies, while seven

others have integrated hydrogen into their existing industrial and renewable energy policy frameworks. He added that four more States are in the process of finalising their policies.

Highlighting efforts to strengthen domestic manufacturing, he stated that financial incentives have been awarded to 15 companies to establish 3,000 MW per annum of indigenous electrolyser manufacturing capacity, reducing dependence on imported supply chains. In the refinery sector, Shri Joshi noted that contracts have been awarded for the supply of 30,000 MTPA of green hydrogen to IOCL, BPCL, HPCL, and NRL. He further highlighted that ₹84 crore has been sanctioned for pilot projects testing 100% hydrogen injection in the steel sector.

On clean mobility, he stated that nearly ₹208 crore has been allocated to support 37 hydrogen-fuelled vehicles and 9 strategic refuelling stations, complemented by an investment of ₹193.35 crore across seven national testing facilities.

Shri Joshi also underscored the Government's focus on innovation and standards, noting that a dedicated R&D roadmap worth ₹113 crore is supporting 21 approved projects. He added that the regulatory framework has been streamlined through the launch of the Green Hydrogen Certification Scheme and the finalisation of standards for Green Ammonia and Green Methanol in recent months.

The Minister highlighted that the National Green Hydrogen Mission has taken a significant step towards reducing import dependence, with agreements signed for the supply of 6.7 lakh MTPA of Green Ammonia to 11 fertiliser plants. He mentioned that under the leadership of Prime Minister Narendra Modi over the past 12 years, India has undertaken one of the world's fastest and most ambitious clean energy transitions. He noted that this transformation has been further strengthened by the National Green Hydrogen Mission, launched in 2023 with an outlay of ₹19,744 crore.

He asserted that the Mission aims to establish 5 MMT of green hydrogen production capacity, supported by 125 GW of dedicated renewable energy capacity, catalysing investments exceeding ₹8 lakh crore, creating over 6 lakh jobs, and reducing annual carbon emissions by 50 million tonnes.

Shri Joshi informed that under the SIGHT programme, incentives have already been awarded for 8,62,000 MTPA of green hydrogen production capacity. He also welcomed the strong response from industry, citing JSW's successful commissioning of a 3,600 MTPA green hydrogen production plant in November 2025.

The workshop was organised as part of the celebrations marking 12 Years of Decisive Achievement of the Government of India, highlighting the country's progress in clean energy transition, renewable energy deployment, green hydrogen and industrial decarbonisation. The Union Minister announced that Green Hydrogen Mission has allocated Rs 100 crore for supporting Start Ups on green hydrogen technologies. He said that the first list of 9 startups is being approved with a total funding of Rs 22 crore.

15. India Emerges as Global Renewable Energy Leader Backed by Strong Policy Ecosystem: Secretary, Ministry of New & Renewable Energy

The Ministry of New & Renewable Energy co-organised a panel discussion on “Energy Security through Renewable Energies” under the 10th edition of the Green and Sustainable Development Partnership (GSDP) Conversation Series.

The panel discussion featured Shri Santosh Kumar Sarangi, Secretary, Ministry of New and Renewable Energy (MNRE), H.E. Dr. Philipp Ackermann, Ambassador of Germany to India and Bhutan, Ms Vaishali Nigam Sinha, Co-founder and Chairperson of Sustainability, ReNew and Ms. Aparna Roy, Fellow and Lead, Climate Change and Energy, Observer Research Foundation (ORF) The discussion was moderated by Ms. Shreya Jai, Energy Lead, Climate Trends.

In his keynote address, Secretary, MNRE highlighted India’s remarkable Renewable Energy journey over the past decade, which has positioned the country as one of the global leaders. He attributed this progress to a robust and enabling policy ecosystem comprising Renewable Purchase Obligation (RPO)/ Renewable Consumption Obligation (RCO), Standard Bidding Guidelines for tariff based competitive bidding process for procurement of Power from Grid Connected Solar, Wind, Wind-Solar Hybrid and Firm & Dispatchable Renewable Energy, permitting up to 100 % Foreign Direct Investment under the automatic route, targeted measures to strengthen domestic manufacturing through initiatives such as the Production Linked Incentive (PLI) Scheme and the Approved List of Models and Manufacturers (ALMM),etc.

He further noted that flagship programmes such as PM Surya Ghar: Muft Bijli Yojana and PM-KUSUM have brought states, households and farmers to the forefront of India’s renewable energy transition, while upcoming interventions such as Agri-PV and floating solar are expected to unlock new avenues for clean energy deployment.

Highlighting the strategic importance of the National Green Hydrogen Mission, he noted its potential to reduce India’s dependence on imported fossil fuels, while creating new opportunities for industrial decarbonisation and energy security. Looking ahead, he emphasized that grid modernisation, accurate forecasting and scheduling, circular economy approaches for clean energy technologies, and enhanced mobilisation of climate finance will be critical for building a resilient, secure and future-ready renewable energy ecosystem.

Speaking during the panel discussion, Secretary, MNRE highlighted that the Government’s policy interventions have been carefully designed to make India’s renewable energy growth story increasingly market-driven. Secretary, MNRE further underscored the importance of initiatives such as the Production Linked Incentive (PLI) Schemes, which are fostering indigenous manufacturing capacities, enhancing self-reliance, and supporting the development of a robust Renewable Energy ecosystem.

H.E. Ambassador Dr. Philipp Ackermann highlighted that India and Germany share a vital, common aspiration to achieve energy security, particularly in light of today’s complex geopolitical landscape. He emphasized that true self-reliance can be unlocked through strong bilateral partnerships, noting that India’s massive scale and dynamic private sector offer immense opportunities to deepen relations.

Furthermore, the Ambassador reflected on how India's ongoing energy transition journey can provide valuable lessons and serve as a model of global best practices for other nations charting their own paths toward sustainability.

The discussion also explored the next growth frontiers for India's renewable energy sector, the opportunities that lie ahead for the industry and the pathways to balance the imperatives of energy transition and energy security. The event reaffirmed the significance of the India–Germany Green and Sustainable Development Partnership as a vital platform for deepening bilateral cooperation and fostering knowledge exchange in the Renewable Energy sector.

As India accelerates Renewable Energy deployment while ensuring reliable and affordable energy access the panel discussion brought together policymakers, international partners, industry leaders and think tanks to deliberate on the potential of Renewable Energy to strengthen energy security, enable a balanced and holistic energy transition, and power India's long term economic growth and development aspirations.

16. DAE Inaugurates Deuterated Compounds Production Plant and Commissions Prototype Sodium Cell at HWBF, Vadodara

In a significant step towards strengthening India's indigenous technological capabilities and strategic materials programme, Dr. Ajit Kumar Mohanty, Secretary, Department of Atomic Energy & Chairman, Atomic Energy Commission, inaugurated the Versatile Deuterated compounds Production Plant (VDPP) and commissioned the 24 kA Prototype Sodium Cell at the Heavy Water Board Facilities (HWBF), Vadodara, on 21 June 2026.

Speaking on the occasion, Dr. Mohanty said, "The inauguration of the VDPP and commissioning of the 24 kA Prototype Sodium Cell reflect India's growing capabilities in developing critical materials and technologies through indigenous research and innovation. These facilities will strengthen strategic self-reliance, support advanced scientific research and contribute to the long-term objectives of India's nuclear energy programme. The development of indigenous nuclear-grade sodium production capability is particularly important for supporting the future growth of India's Fast Breeder Reactor Programme and advancing the vision of Viksit Bharat through technological excellence."

The ceremony was held in the august presence of Shri K. N. Vyas, Homi Bhabha Chair Professor and Former Secretary, Department of Atomic Energy & Chairman, Atomic Energy Commission. Also present were Shri V. V. S. A. Prasad, Chairman & Chief Executive, Heavy Water Board; Shri K. V. Tale, Director (Operation/Technical), Heavy Water Board; Shri Nitesh Mehta, Officer on Special Duty, HWBF (Vadodara); along with senior officials of the Department of Atomic Energy, scientists, engineers and employees of the Heavy Water Board.

The Versatile Deuterated Compounds Production Plant has been established to enhance the country's indigenous capability for the production of specialised deuterated compounds required for advanced scientific research, strategic applications and frontier technological programmes. The facility is aimed to

play a vital role in meeting national requirements in this critical domain through the indigenous production of high-purity deuterated solvents.

The commissioning of the 24 kA Prototype Sodium Cell marks a major technological achievement towards the indigenous industrial-scale production of nuclear-grade sodium, a critical material for India's Fast Breeder Reactor Programme. Developed through sustained research, engineering excellence and technological innovation, the facility represents a significant step towards achieving self-reliance in strategic materials required for the second stage of India's three-stage nuclear power programme, in line with the national vision of AtmaNirbhar Bharat.

These achievements underscore DAE's continued commitment to technological self-reliance, innovation and excellence in strategic sectors. The milestones further contribute to India's journey towards Viksit Bharat through indigenous technological advancement and strategic capability development.

17. DAE Inaugurated World's First Hydrogen Production Facility Based on Copper–Chlorine Thermochemical Cycle Using Nuclear Heat from Fast Breeder Test Reactor

In a landmark achievement for India's clean energy and advanced nuclear technology programme, the Department of Atomic Energy (DAE) inaugurated the world's first Hydrogen Production Facility based on the Copper–Chlorine (Cu–Cl) Thermochemical Cycle utilizing nuclear process heat generated from the Fast Breeder Test Reactor (FBTR) at the Indira Gandhi Centre for Atomic Research (IGCAR), Kalpakkam. The facility was inaugurated by Dr. Ajit Kumar Mohanty, Secretary, DAE & Chairman, Atomic Energy Commission (AEC), in the presence of Shri Sreekumar G. Pillai, Director, IGCAR.

The facility has been established as a technology demonstrator to validate the production of hydrogen using nuclear energy through the Cu–Cl thermochemical process developed indigenously by Bhabha Atomic Research Centre (BARC), Mumbai. The successful integration of nuclear process heat with hydrogen generation marks a pioneering technological breakthrough and opens a promising pathway for large-scale, carbon-free hydrogen production using advanced nuclear reactors.

Hydrogen is widely regarded as a key energy carrier for the future and is expected to play a pivotal role in the global transition towards clean and sustainable energy systems. Among the various hydrogen production technologies under development worldwide, the Cu–Cl thermochemical cycle is considered one of the most promising due to its relatively lower operating temperatures and higher thermodynamic efficiency. By harnessing nuclear heat from fast reactors, the process significantly reduces dependence on fossil fuels and eliminates greenhouse gas emissions associated with conventional hydrogen production methods.

The commissioning of the facility represents the culmination of extensive research, process development, engineering design, equipment fabrication, installation, testing and commissioning efforts undertaken jointly by BARC and IGCAR. The plant will provide valuable operational experience, facilitate further optimization of the Cu–Cl process and support future research aimed at scaling up nuclear-assisted hydrogen production technologies for commercial deployment.

Addressing the gathering, Dr. Ajit Kumar Mohanty said, "The integration of nuclear energy with emerging clean energy technologies such as hydrogen production represents a strategic pathway towards a sustainable energy future. Nuclear power, with its unique ability to provide reliable carbon-free electricity as well as high-temperature process heat, is ideally suited to support large-scale hydrogen production while contributing to India's energy security, decarbonization goals and long-term sustainable development objectives. I congratulate the scientists, engineers and technical teams of BARC and IGCAR whose sustained dedication, innovation and technical excellence have transformed an advanced scientific concept into an operational reality. This achievement is a testament to India's growing capabilities in advanced nuclear technologies and clean energy systems."

IGCAR, one of India's premier nuclear research institutions under the Department of Atomic Energy, has been at the forefront of the country's Fast Breeder Reactor programme since its establishment in 1971. The Centre successfully designed, constructed and operated the Fast Breeder Test Reactor, which has served as an invaluable platform for the development and validation of fuels, materials and sodium technologies for more than four decades. The knowledge and expertise generated through FBTR have laid the technological foundation for India's fast reactor programme and played a pivotal role in the development of the 500 MWe Prototype Fast Breeder Reactor (PFBR), the flagship of the second stage of India's three-stage nuclear power programme.

Shri Sreekumar G. Pillai, Director, IGCAR, said, "This achievement builds upon more than four decades of operational experience and technological excellence gained through the Fast Breeder Test Reactor programme at IGCAR. The successful demonstration of hydrogen production using nuclear process heat showcases the versatility of advanced nuclear systems and underscores IGCAR's commitment to developing innovative technologies that contribute to India's clean energy transition and long-term energy security."

Over the years, IGCAR has established internationally recognised capabilities in reactor physics, thermal hydraulics, advanced materials, sodium technology, fuel cycle research, instrumentation and control systems, remote handling, non-destructive evaluation and high-temperature engineering. Its contributions continue to strengthen India's technological self-reliance and reinforce the nation's position among the global leaders in advanced nuclear technologies.

The inauguration of the facility marks a major step towards realizing the vision of AtmaNirbhar Bharat through the convergence of nuclear energy and clean hydrogen technologies. It demonstrates DAE's continued commitment to indigenous innovation and reinforces India's resolve to build a sustainable, secure and low-carbon energy future for Viksit Bharat.

18. Empowering India's Energy Markets: Coal Exchange for Viksit Bharat

In a significant step towards modernizing India's coal supply chain, the Government has paved the way for the establishment of Coal Exchanges in the country. The recently enacted Mines and Minerals (Development and Regulation) Amendment Act, 2025 introduced the concept of a Mineral Exchange and empowered the Central Government to promote transparent and efficient trading of minerals, including coal and its processed forms. In pursuance of the above, the Coal Exchange Rules, 2026 have been

published by Ministry of Coal in the Official Gazette on 04.06.2026. These are available at the website link <https://coal.gov.in/sites/default/files/2026-06/09-06-2026a-wn.pdf> on the website of Ministry of Coal

To facilitate this initiative, the Ministry of Coal has already designated the Coal Controller Organisation (CCO) in December 2025, as the authority responsible for registering and regulating Coal Exchanges. Eligible entities will be authorized by CCO to establish and operate Coal Exchanges, frame market rules and bye-laws, and facilitate coal trading. Registrations will be granted for a period of 25 years.

The introduction of Coal Exchanges marks a paradigm shift in coal marketing by moving from the traditional “one-to-many” sales model to a competitive “many-to-many” trading platform. This will enable transparent and market-driven price discovery, improve efficiency, and provide coal producers, including commercial and captive miners, with easier access to a wider pool of buyers. Public Sector coal companies can also leverage the platform to enhance market participation.

The Coal Exchange initiative reflects the Government’s commitment to enhancing ease of doing business, promoting transparency, and building a modern, self-reliant energy ecosystem. By creating a more competitive and efficient coal market, the reform is expected to strengthen energy security, support industrial growth, and contribute significantly to the vision of Viksit Bharat through sustainable economic development and a future-ready energy sector.

19. Prime Minister to Lay Foundation Stone of India’s First Commercial-Scale Coal-to-Ammonium Nitrate Project in Odisha

In a major step towards strengthening India's energy security, promoting import substitution, and accelerating industrial self-reliance, Prime Minister Shri Narendra Modi will lay the foundation stone of a Rs 25,016 crore coal gasification project at Lakhanpur in Jharsuguda district, Odisha, on June 20, 2026.

Coal gasification is emerging as a key pillar of India's strategy to strengthen energy security, reduce dependence on imported critical feedstocks, promote value addition to domestic coal resources and support the development of downstream industries. The process converts coal into synthesis gas (syngas), which can be used to produce a wide range of value-added products such as methanol, urea, ammonium nitrate, synthetic natural gas, and other chemical feedstocks. This has the potential to drive industrial growth, reduce dependence on imported raw materials, and strengthen the country's energy and economic security.

India is the world's second-largest producer and consumer of coal, with Coal India Limited being the largest coal-producing company globally. India is endowed with the world's fifth-largest coal reserves of over 400 billion tonnes. Leveraging these resources through coal gasification can significantly transform the country's industrial landscape while reducing import dependence on critical feedstocks and chemicals.

Recognizing the transformative potential of coal gasification, the Government of India has approved incentive schemes with a cumulative outlay of up to Rs 46,000 crore to promote Surface Coal and Lignite Gasification Projects across the country. The initiative aims to accelerate the establishment of coal gasification projects across the country, encourage the use of domestic coal for strategic industrial and

chemical outputs, and reduce dependence on imports of natural gas, methanol, ammonia, and other critical feedstocks.

India currently imports end-use and intermediate chemical products worth approximately Rs 2.7 lakh crore annually. Coal gasification offers a significant opportunity to reduce these imports, generate substantial foreign exchange savings, strengthen domestic manufacturing capabilities while supporting industrial growth and economic self-reliance.

The coal gasification promotion initiative is expected to catalyse investments of Rs 2.5 to 3 lakh crore and create around 50,000 direct and indirect employment opportunities across 25 projects in coal-bearing regions. The Lakhanpur project marks a historic milestone as India's first commercial-scale coal-to-ammonium nitrate facility. The project is being developed by Bharat Coal Gasification and Chemicals Limited (BCGCL), a joint venture of Bharat Heavy Electricals Limited (BHEL) and Coal India Limited (CIL). It will produce 2,000 tonnes per day of ammonium nitrate using indigenously developed coal gasification technology by BHEL.

A land-leasing agreement was signed in April between BCGCL and CIL's subsidiary Mahanadi Coalfields Limited (MCL). The project will come up on about 350 acres under MCL possession, has received required clearances and work is expected to start after the foundation ceremony. The Union Ministry of Coal has enabled the use of coal bearing area land for such projects and is providing Rs 1,350 crore support under its incentive scheme.

The project will serve as a model for future coal gasification ventures and contribute significantly to India's vision of becoming a self-reliant manufacturing and industrial powerhouse. The foundation stone laying of the Lakhanpur project underscores the Government's commitment to promoting clean coal technologies, maximizing value from domestic resources, and building a resilient industrial ecosystem aligned with the vision of Aatmanirbhar Bharat.

20. Ministry of Coal Organises BRICS Side Event on Clean Coal Technologies with Focus on Coal Gasification

The Ministry of Coal organised a BRICS Side Event on Clean Coal Technologies, with a focus on Coal Gasification, bringing together senior government officials, representatives from public sector enterprises, industry, technology providers, and a BRICS delegation from Russia, Ethiopia and the United Arab Emirates (UAE).

Delivering the keynote address, Shri Sanoj Kumar Jha, Additional Secretary, Ministry of Coal, highlighted the role of coal gasification in strengthening India's energy security and supporting industrial development. He stated that coal gasification enables the conversion of coal into syngas, which can be used for the production of ammonia, methanol, hydrogen, synthetic fuels, DRI and other value-added products. He noted that the technology has the potential to reduce import dependence while promoting the efficient utilisation of domestic coal resources.

Shri Jha reiterated the Government of India's commitment to achieving the target of gasifying 100 million tonnes of coal by 2030 through policy support, financial incentives, assured coal linkages and coordinated efforts across ministries. He also highlighted the progress being made through various coal gasification projects and stressed the importance of collaboration among BRICS countries in advancing clean coal technologies.

During the workshop, presentations were delivered by BHEL on coal gasification technology; Jindal Steel Limited (JSL) and Greta Energy on their coal gasification projects and the relevance of the technology for BRICS countries. Eastern Coalfields Limited (ECL) presented the progress of the Kasta Underground Coal Gasification (UCG) Pilot Project, while the Nominated Authority highlighted coal block allocation and policy initiatives for UCG. Coal India Limited (CIL) showcased coal linkage provisions and the coal gasification projects being undertaken by the company.

An interactive panel discussion was held on various aspects of coal gasification, including technology, project economics, geological and processing challenges, utilisation of high-ash Indian coal, and the policy and financial support required for wider adoption of the technology.

The event provided a platform for exchange of knowledge and experiences among BRICS countries and other stakeholders, while highlighting the role of coal gasification in supporting energy security, industrial development and cleaner utilisation of coal.

21. Cabinet approves Price Stabilization Fund for Scheduled Indian Airlines towards ATF pricing

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved one-time budgetary support not exceeding Rs.10,000 crore for Oil Marketing Companies (OMCs) to provide ATF price stabilization support to Scheduled Indian Airlines for their domestic and international operations. The budgetary support shall be in the form of interest-free advances to OMCs through the Demands for Grants of the Ministry of Petroleum and Natural Gas. The support shall be provided to OMCs to facilitate stable ATF pricing for airlines during the ongoing period of exceptional fuel price volatility arising from the West Asia crisis.

Key component of the approved of Price Stabilization Fund:

(i) Interest-Free advance to OMCs

A one-time budgetary support of up to Rs.10,000 crore shall be provided as an interest-free advance to OMCs to support ATF price stabilization for Scheduled Indian Airlines. The corpus shall compensate OMCs for losses arising from elevated international ATF prices whenever the prevailing Import Parity Price exceeds the benchmark price determined under the approved mechanism.

(ii) Recovery and True-Up Mechanism

When international ATF prices moderate, the differential amount shall be recovered from OMCs and returned to the Consolidated Fund of India. The arrangement shall continue until the entire support amount is fully recovered and settled.

(iii) Coverage of Domestic and International Operations

The scheme shall be available to all willing Scheduled Indian carriers for both domestic and international operations.

(iv) Fixed ATF Price Arrangement

The mechanism provides greater predictability in fuel costs by adopting a fixed-price arrangement for domestic and international operations, thereby reducing airline's exposure to sudden fuel price spikes.

(v) Exclusive rights of ATF supply to OMCs

The arrangement will be implemented through an MoU between participating Indian airlines and OMCs, with the Ministry of Civil Aviation and the Ministry of Petroleum & Natural Gas as signatories. Under this one-time arrangement, participating airlines will procure ATF only from OMCs for up to three years, subject to annual review or until the advance amount is fully recovered, whichever is earlier.

(vi) Monitoring and Audit

A Monitoring Committee comprising representatives of the Ministry of Civil Aviation, Ministry of Petroleum & Natural Gas and Department of Expenditure shall oversee implementation, claim verification, reconciliation and settlement. All claims and recoveries shall be subject to audit.

(vii) Duration of Price Stabilization support

ATF price stabilization support will be in force for a period of thirty-six months with provision for annual review or until the advance amount is fully recovered/settled, whichever is earlier. The proposal may be extended beyond thirty-six months with the approval of the Competent Authority in case the corpus is not fully trued up within this period.

Expected outcome:

- The proposed mechanism will provide enhanced stability and predictability in ATF pricing for Indian airlines, enabling better operational and financial planning.
- It will shield Oil Marketing Companies (OMCs) from losses arising from volatile and elevated ATF prices during the ongoing West Asia crisis.
- The measure will help protect and sustain domestic and international air connectivity, ensuring continuity of air services.
- It will reduce the pass-through of fuel price shocks to passengers, thereby helping to moderate fare volatility.
- The arrangement will support continued air connectivity to remote, regional, Tier-II and Tier-III cities, promoting balanced regional development and inclusive growth.

Key Benefits:

- Stable airline operations help sustain employment across airlines, airports, ground handling agencies, MROs, travel agencies, hospitality and logistics sectors.
- Continued air connectivity will facilitate movement of passengers, high-value cargo, business travelers and tourists, thereby supporting economic activity across sectors.
- The measure will have positive spill-over effects on tourism, hospitality, trade, exports, regional development and investment.
- It will help ensure optimum utilization of airport infrastructure developed across the country, including airports operationalized under the UDAN scheme.
- By preserving domestic and international connectivity, the initiative will strengthen India's integration with global markets and support long-term economic growth.

Research, analysis & compilation by:

Economic Policy & Planning Team - FIPI

Email: pankhuri@fipi.org.in

Note: The information contained herein is compiled from various sources considered reliable, but its accuracy and completeness are not warranted, nor are the opinions and analyses that are based on it. FIPI is not responsible for any errors or omissions, nor shall it be liable for any loss or damage incurred by reliance on information or any statement contained herein. While reasonable care has been exercised to ensure that no copyrights are infringed, in case there is any omission or oversight in this regard, we may please be informed immediately.